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ABSTRACT

This collection contains 20 case studies illustrating some of the contributions Comprehensive Employment and Training Act (CETA) programs have made to economic development and job creation efforts in rural areas. The collection is a companion volume to the monograph entitled "Rural Job Creation--a Study of CETA Linkages with Economic Development" (available separately through ERIC--see note). The studies are arranged in four groups to illustrate the four economic development models described in the monograph: (1) studies illustrating the Income Generation Model, in which CETA provided manpower for production of goods and services; (2) studies demonstrating CETA's provision of materials and resources (the Infrastructure Model); (3) studies showing CETA's role in promoting the local area for new business (the Promotion Model); and (4) studies manifesting CETA's provision of management or technical experience (the Economic Development Intermediary Model). Case studies are of projects conducted in the following cities: Fairfield, North Carolina; Greensboro, Alabama; Salinas, California; Ladysmith, Wisconsin; Epes, Kentucky; Molalla, Oregon; Stearns, Kentucky; Bedford, Pennsylvania; Spring Lake, Utah; Hopkinsville, Kentucky; Selma, Alabama; Moapa, Nevada; Charlevoix, Michigan; Rutland, Vermont; Mt. Union, Pennsylvania; Cambridge, Massachusetts; Schulenburg, Texas; and Gratiot County, Michigan. (MN)

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RURAL JOB CREATION -- CASE STUDIES OF CETA LINKAGE WITH ECONOMIC DEVELOPMENT

February 29, 1980

U.S. DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
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CASE STUDIES OF CETA LINKAGE WITH ECONOMIC DEVELOPMENT

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INTRODUCTION

The 20 case studies presented here illustrate some of the contributions Comprehensive Employment and Training Act (CETA) programs can make and have made to economic development and job creation efforts in rural areas. This is a companion volume to the monograph, Rural Job Creation--A Study of CETA Linkage with Economic Development, and its purpose is to offer the details and supporting facts from which conclusions were drawn for the monograph.

These studies by no means cover all the examples or situations where CETA has been a principal participant in job creation in a rural setting. Indeed, it is possible that there are both "bigger" and "better" examples. The main purpose of these studies, however, was to look at some of the difficult and complex job creation efforts which have been carried out, in many instances, under less than ideal conditions in some of the more rural areas.

The examples range from traditional on-the-job training offered to an industry on its way into a rural area to the sophisticated approach of one prime sponsor with a full-time industrial developer on the CETA staff. With one exception, examples are rural, and in several instances, extremely rural. When reviewing the outcomes of some of the projects, it is useful to compare the number of jobs created with the size of the labor force in the area--the addition of 50 jobs may not sound like a great economic leap forward to an urban-oriented prime sponsor, but in some rural areas, such a development can increase local job opportunities by 10 per cent or more.

Geographically, examples range from Vermont to Oregon and from Alabama to Michigan. They show job creation efforts by CETA prime sponsors operating balance of state programs, by CETA Section 303 farm worker program operators, by a Section 302 program on an Indian reservation, by special CETA Title III programs designed to aid job generation and income improvement in the rural South, and by Governor's Special CETA Grant programs.

In some instances, studies have been made of two projects involving the same CETA sponsor. This was to illustrate the range of activities possible within one organization and to show the need for considerable CETA staff diversity and openness to different approaches to the same basic problem--more jobs in rural areas. There also are instances in which more than one project has been included from the same state. There was no requirement for geographic distribution, though programs studied are fairly well scattered across the nation. On the other hand, as potential programs were being identified for detailed study, programs in certain states kept turning up, and one is left to conclude that the atmosphere within a state, particularly where the state aggressively promotes development, may be an important factor in decisions that result in new plant locations and new jobs. It was not unusual to find in these situations that the Governor's Special Grant under CETA was being used in an imaginative way to aid economic development and to lure new jobs into areas where employment opportunities were limited.

Each case study follows the same outline, beginning with an overview of the project and ending with a brief summary. This format is intended to save time for those whose circumstances will not permit the pursuit of all possibilities described.

The studies are arranged in four groups to illustrate the four economic development models described in the monograph: (1) the first nine studies illustrate the Income Generation Model, in which CETA provided manpower for the production of goods and services; (2) the next five studies illustrate CETA's provision of materials and resources, the Infrastructure Model; (3) three studies show how CETA was involved in the promotion of the local area for new business, the Promotion Model; and (4) the last three illustrate the Economic Development Intermediary Model and show how CETA provided management or technical expertise.) The Table of Models, from the monograph, includes principal CETA activities, agency linkages, sources of venture capital and problems and for easy reference is repeated on the page following this Introduction. Of course, in any such groupings, there will be some overlapping, and more than one type of activity by the CETA program may be found. The groupings are intended to highlight the nature of the major contributions CETA made to the rural economic development projects studied.

It is impossible to review these reports and to study the figures contained in them without being impressed with the fact that, despite all the emphasis these days on urban problems, there is still much in America that is rural, close to the land, isolated from busy highways and large factories. Vast reaches of the nation contain but a relatively few citizens, many of whom would like better job opportunities without having to move to a city. There are also thousands of rural Americans who exist at a bare subsistence level. These studies tell how some of those people now have better opportunities for better jobs because of CETA's intervention.

Field work for these studies was done by Thomas E. Faison, Joann Larsen, Gene S. Leonardson, Robert MacKay, David M. Nelson, Gary W. Sorenson and Jack R. Stone, CSR field research associates, all with considerable familiarity with CETA programs. From the CSR staff, field research was done by Harriet Ganson, Karen Meinzen, L. M. Wright Jr., and Lee Bruno, who also was project manager.

While appreciation is due to many individuals, the primary help came from the people in Alabama, California, Kentucky, Massachusetts, Michigan, Nevada, North Carolina, Oregon, Pennsylvania, Texas, Utah, Vermont, and Wisconsin who had the imagination and determination to create jobs and the patience to tell the interviewers how they did it. In every instance, those interested in better CETA programs and good economic development were willing to share ideas, offer suggestions that might help others, and then check final drafts for this report for accuracy. Without the gracious assistance from the program operators cited in the case studies, CSR, Incorporated, could not have realized the objectives of this study.

TABLE OF MODELS

FUNCTION	EXAMPLES	PRINCIPAL CETA ACTIVITY	AGENCY LINKAGES (Local)	PRIVATE SECTOR INVOLVEMENT	ROLE OF COMMUNITY LEADERS & ELECTED OFFICIALS	SOURCE OF VENTURE CAPITAL	PROBLEMS
Provision of Manpower for Production of Goods and Services Income Generation Model	East Carolina Industries Green-Hale Sewing Co-op Cooperativa Compensina Multiple Products Farmworkers/Small Farmers Training Program Three Day, Care Centers Possum Trot Corp. Molalla Mt. Community Project [illegible] Venture	Work Experience OJT PSE	Non-Profit Community Development Cooperatives CBO's Local	Market	Partner	Local Government	Securing capital for operating cost Political Resistance Accessing Markets Worker Productivity Technical/Business Acumen
Provision of Materials or Resources Infrastructure Model	Old Bedford Village Spring Lake Housing Hopkinsville Industrial Park Craig Field Airport Moapa Paiute	PSE Work Experience OJT	CDC Local Government	Client/ Beneficiary Partner	Partner - Resource	Local Government EDA CSA HUD Lending Institutions	Securing capital Acquiring land and construction materials Timing Connecting with private sector
Promotion of the Locale for New Business Promotion Model	Michigan CEP Kors, Inc. Bleyer Industries	Classroom Training OJT	Chamber of Commerce CDC State Dept. of Commerce Organized Labor Development Districts	Client/ Beneficiary	Critical Partner Coordinate private sector contacts	None Required	Maintaining agency linkages Accessing private sector Design special job training Recruitment
Provision of Management or Technical Expertise Economic Development Intermediary Model	Harvard Design Texas Loan Evaluation Gratiot OEDP	Administration	Community Leaders Public Interest Groups Local Government	Partner Client/ Beneficiary	Partner - Resource	Local Government Revenue Bonds EDA HUD FmHA Private Lending Institutions	Orchestrating multiple partners Balancing adverse interests Maintaining technical proficiency

Case Study:
EAST CAROLINA INDUSTRIES
MIGRANT AND SEASONAL FARMWORKERS ASSOCIATION, INC.
Fairfield, North Carolina

A MIGRANT AND SEASONAL FARM WORKER AGENCY TRIES TO RAISE TENANT FARMERS' INCOMES BY TEACHING THEM TO CATCH EELS -- NORMALLY A TRASH FISH -- ALONG THE CAROLINA COAST. ENVIRONMENTAL DELAYS AND LACK OF CAPITAL KEEP EAST CAROLINA INDUSTRIES FROM REACHING ITS GOAL OF OPERATING AN EEL PROCESSING PLANT TO SUPPLY EUROPEAN MARKETS. BUT WHERE AN EEL CATCH WAS VALUED AT $1,000 IN 1970 A CATCH OF 1,500,000 POUNDS THIS YEAR COULD YIELD $1,000,000 -- AND AS MANY AS 200 FORMER FARM WORKERS ARE SHARING IN THE NEW FISHING VENTURE FOR WHICH CETA TRAINED THEM.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

When the Migrant and Seasonal Farmworkers Association went into two of North Carolina's most rural and sparsely settled coastal counties in 1970, it found that commercial crab fishermen working on Albemarle and Pamlico sounds often treated eels as enemies that would get into crab pots and eat the bait. Most eels that were caught were thrown away. In an effort to raise incomes in Hyde and Tyrrell counties, the Migrant and Seasonal Farmworkers Association helped seasonal farm workers to form a cooperative, called East Carolina Industries, and taught them to make crab pots the wire cages that are baited and submerged for the purpose of trapping crabs. Gradually, staff members of the association became aware of the market potential of the vast number of eels in the sounds adjacent to Hyde and Tyrrell counties. East Carolina Industries added eel pots to its products and became an eel collecting, freezing, packing and marketing business, dealing in the international markets of Europe. An Economic Development Administration grant, administered by the Community Services Administration, provided funds for the construction of a plant to collect and freeze the eels, which are highly prized delicacies in the diets of some Europeans and the Japanese. EDA-CSA funds bought boats and eel traps, and CETA Section 303 funds trained seasonal farm workers to fish for eels. Because of complications (which are described later), the eel packing plant itself closed in 1979, although it is expected to re-open. Nevertheless, the estimate was that approximately 200 persons in Hyde and Tyrrell counties, many of them former seasonal farm workers, would catch and sell 1,500,000 pounds of eels in 1979 at prices ranging up to $1 per pound. An individual, using about $5,000 worth of equipment, can earn $18,000 to $20,000 per year fishing for eels. The volume and value of the current eel catch stand in sharp contrast to the officially recorded figures for all North Carolina counties in 1970 when the National Marine Fisheries Service of the National Oceanic and Atmospheric Administration reported that 16,000 pounds of eels were sold for $1,000.

B. Relevance to Other Area Economic Development

The development of the eel fishing industry in Eastern North Carolina has been a slow and complex process, not an uninterrupted march toward success. What this development shows, among other things, is that a relatively small, rural-based organization can assess a natural resource and its potential in foreign markets and make its way through to those markets in a way that substantially increases the incomes of persons whose only previous employment prospect was farm work, and that on a seasonal basis only.

This development effort also makes clear that the original intent of an economic development effort may be entirely different from the final outcome and that, even if each element of development does not turn out as planned, it is still possible to generate new jobs and increase incomes.

Eels do not abound in all coastal waters; thus, not every coastal development agency can expect to repeat the experiences of the farm workers of Eastern North Carolina. But other types of commercial fish production may hold similar potential. Fish farms are springing up in Mississippi, Louisiana and Florida, for example. Recently, a West Coast firm announced that it would establish an eel processing plant in the Chesapeake Bay area. The company intends to employ about 100 persons to catch eels to be shipped to Japan.

C. This Project and the Five Ms

The most readily available resources in this situation were manpower and materials. The materials, the eels, apparently have been in Albemarle and Pamlico sounds for ages, but were ignored until recently because of a lack of knowledge of the potential market. The manpower was available because of the decades-old system of tenant farming, a system that often provided subsistence living at best and never provided fulltime year-round work. Management came from the staff of the Migrant and Seasonal Farmworkers Association as well as through some hired expertise. At one point, even the U.S. State Department cooperated by providing market information on eels in certain European countries. Although money came from CETA to train farmers to fish for eels, and from EDA through CSA to construct an eel packing plant and buy fishing equipment, much of the money came from the commercial dealers in eels, those who buy eels in bulk in this country and export them to their counterparts in Europe, or those who buy directly from packing houses in the United States. The market has been there all along, and apparently it is growing. Although eels are alien to the diet of the average American, the Japanese eat eels regularly. In Europe, in such countries as Germany and the Netherlands, smoked or pickled eel is regarded as a delicacy. The Chinese, too, eat eels, and whether the renewed relations between the United States and the Peoples Republic of China can expand

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the potential market for eels remains to be seen. There are, however, some former farm workers in Eastern North Carolina who are paying close attention to the possibilities.

D. Preliminary Assessment of Success

The efforts of the Migrant and Seasonal Farmworkers Association to establish East Carolina Industries and turn it into a profit-making cooperative owned by farm workers has had so many ups and downs that it may not be entirely accurate to label the venture a success. On the other hand, an effort that brings in $1 million or more a year in two counties with fewer than 9,400 citizens through the catching of eels that were once thrown away can hardly be called a failure, even if the central feature of the operation, the eel packing plant, is at the present time not the success intended. Moreover, that plant is still there, still operable, and still owned by East Carolina Industries. External circumstances created the delay in opening and the unplanned closing; yet, there is every reason to believe that the plant will re-open.

E. Summary of Difficulties or Advantages in Project Development

The advantages of the project, which evolved and changed its objectives over the years, were that it was cooperatively owned so that any profits would go to farm worker-owners who were being taught to work for themselves instead of for someone else. The long-term goal was to generate jobs and increase incomes in two of North Carolina's poorest counties.

Disadvantages, however, were crucial. A principal disadvantage of the EDA-CSA grant method of financing the eel processing plant was that it left the federal government with an interest in the building and the equipment. The result was that a venture in desperate need of operating capital was unable to do what most businesses are able to do -- offer building and equipment as security for a loan to obtain the necessary funds.

In addition, because the eel packing plant was located adjacent to a national wildlife preserve and would pump water through eel holding tanks from the preserve lake and back into the lake, the Department of Interior, responsible for the wildlife refuge, held up approval during crucial months of production. The delay cut deeply into the ability of East Carolina Industries to buy eels from farm workers who had been trained to fish and to sustain its marketing capacity with established buyers. This interruption was, in the first round, at least, fatal to East Carolina Industries' eel operation and, because of lack of capital, East Carolina was forced eventually to lease the plant in order to get it into production.

F. Overview of Case Study To Follow

The study that follows will describe the geographic area where the eel fishing and other activities took place, provide background on the people who live and work there, relate the economy of Hyde and Tyrrell counties to that of North Carolina, describe the planning and implementation activities of the agencies and individuals involved in generating the new jobs, explain the role of CETA in this economic development project and enumerate the outcome of these efforts.

II. GENERAL BACKGROUND

The Migrant and Seasonal Farmworkers Association, Inc., with headquarters in Raleigh, North Carolina, has been in business for more than 15 years. Originally, it was an arm of the North Carolina Council of Churches. Funding from the Office of Economic Opportunity expanded the organization's work among migrant and other seasonal farm workers, and it was during this period, in the early 1970's, that efforts began to increase incomes in Hyde and Tyrrell counties. With the advent of CETA, the Migrant and Seasonal Farmworkers Association became the Section 303 grantee for North Carolina and, more recently, for several other states as well.

The Migrant and Seasonal Farmworkers Association is a private non-profit corporation under North Carolina law. While the association's programs do serve migratory farm workers, primarily those who move each year from Florida to follow crops up the Eastern Seaboard, North Carolina has traditionally had a relatively high number of resident seasonal farm workers, and the association, over the years, has sought to assist in programs designed to increase their incomes.

In February, 1971, the association assisted a group of 21 low-income seasonal farm workers in Hyde and Tyrrell counties to form East Carolina Industries. Chartered as a mutual association with capital stock, East Carolina Industries operates on a non-profit cooperative basis under North Carolina law. East Carolina Industries has received technical and financial assistance from the Migrant and Seasonal Farmworkers Association since its inception.

East Carolina Industries grew, as did its membership. By the end of 1972, more than 500 persons in the two counties were engaged in gardening and canning projects to increase their own food supply. What then amounted to an informally structured "cottage industry" in the area -- the making of crab pots -- was turned into a more formalized production system. The Migrant and Seasonal Farmworkers Association loaned classroom and work space in its Fairfield office (an old two-story wooden frame school house) for East Carolina Industries to produce crab pots. Migrant and Seasonal Farmworker Association staff members learned that there was a market not only for crab pots but also for fish and some eel pots, and they were added to East Carolina Industries' products.

From contact with representatives of the Marine Service Program of the Industrial Extension Service of North Carolina State University, staff members also became aware of the growing interest in commercial eel fishing along the North Carolina coast. The demand for eels, especially in Europe and Japan, was greater than the supply.

In its second year of operation, 1972, East Carolina Industries sold 15,000 crab pots which were made by an average of 15 former farm workers. In the next year, with the introduction of plastic-coated wire and with better-organized production, 45,000 crab pots were marketed, some as far away as the Gulf Coast of Mississippi. An individual worker was paid about $1 per crab pot, and the profit share for East Carolina Industries was about 40 cents.

The Office of Economic Opportunity provided a $65,000 grant and East Carolina Industries put up $25,000 (from crab pot profits) to buy the first freezer and to build the first holding tanks for eels. This step put East Carolina into the eel freezing and packing business, ready to go into the market in the fall of 1974.

Prior to that time, ECI had been using holding tanks only, selling live eels to a broker operating out of Raleigh, North Carolina, who had the eels shipped and frozen elsewhere, then sold them in Europe. The commerical broker was paying ECI 75 cents a pound for the eels, paying 10 cents a pound to get them moved to the point of freezing and selling them in Europe for as high as $1.45 per pound.

When ECI board members and Migrant and Seasonal Farmworkers Association staff members learned some of these economic facts of the eel business, they decided to apply for the OEO economic development grant to get ECI its own freezer, holding tanks and trucks to go into the business directly in 1974.

ECI invested in a marketing study which clearly showed prospects of success: "In summary, at the world level, the offer will be stabilized at around 40,000 tons per year; meanwhile, the world demand is situated around 60,000 tons per year. This situation explains why the eel price is in constant increase. Over five years, the average price has increased more than 100 per cent."

This study merely reinforced the view that the world market for the anguilla rostrata - that species of eel that breeds in the Sargasso Sea and thrives along the North Carolina coast -- was a ready target for East Carolina Industries.

By 1974, East Carolina Industries, with Migrant and Seasonal Farmworkers Association assistance, went into the business of buying, cleaning, freezing, packing and shipping eels caught by fisherman already working on Pamlico and Albermarle sounds.

To boost its eel supply ECI, under a $50,000 CETA contract from the Migrant and Seasonal Farmworkers Association, began to train farm workers to catch eels. By selling the eels they caught to ECI, the farm workers, would have their own limited incomes increased significantly. But a discussion first of the context in which these and later activities took place will provide better perspective.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

North Carolina's 1975 population of 5,441,366 has an average density of 112 persons per square mile. Hyde County, by comparison, has a population density of nine persons per square mile, and Tyrrell, the county with the smallest population in the state, has a population density of 10 persons per square mile. Of 3,143 counties in the nation, Hyde's rank in population is 2,799 and Tyrrell's rank is 2,942. Both counties, though never heavily populated, have been losing population steadily, the loss from 1960 to 1970 alone in Hyde being 3.4 per cent and in Tyrrell 15.8 per cent.

Hyde and Tyrrell counties are situated on a peninsula, about 65 miles from east to west and 45 miles north to south. Tyrrell's northern border is Albemarle Sound. Its southern border is Hyde County which has Pamlico Sound as its southern border. To the east is Dare County, most of which is on the peninsula shared by Hyde and Tyrrell, but a portion of which extends farther eastward to encompass much of North Carolina's famed Outer Banks. This narrow strip of sandy islands forms a protective barrier for Albemarle and Pamlico sounds -- two great bodies of water that have long been the scene of commercial and sport fishing, but not, until recently, the location of any serious eel fishing.

Hyde and Tyrrell counties, despite being adjacent to major bodies of water, have never attracted the large commercial fishing activity that characterizes other coastal counties such as Brunswick, Carteret and Dare counties. For example, in 1972, Brunswick County accounted for more than 60,000,000 pounds, Carteret for 72,000,000 pounds and Dare and Chowan, more than 9,000,000 pounds each. Thus, these four counties accounted for 89 per cent of the year's catch of 167,000,000 pounds in North Carolina. Valued at $11.8 million, 72 per cent of the money for the catch went to the same four counties. By contrast, Tyrrell fishermen took in 1.1 per cent ($131,499) of the value of the catch, and Tyrrell landings brought 4.5 per cent ($531,414) of the value of the year's catch. It was in this same year, 1972, that East Carolina Industries was gearing up, and in 1972, the total eel catch on the North Carolina coast was 77,389 pounds with a value of $12,177.

Just as commercial fishing seems to have passed Tyrrell and Hyde counties by, so, too, have many of the tourist activities. The Outer Banks attract thousands of vacationers who come each year to camp, fish and swim. But, at best, many of these only drive through Tyrrell or Hyde to get farther east to the Atlantic Ocean. Only Lake Mattamuskeet in Hyde County seems to attract visitors, and they are primarily hunters who come to shoot birds in the fall. Lake Mattamuskeet is a wildlife refuge, established in 1934 by the Department of Interior.

The result has been an economy based almost entirely on agriculture, but here again, Hyde and Tyrrell lagged behind. While 1974 census figures record 91,280 farms in North Carolina, only 224 were in Hyde and 173 in Tyrrell. In the state as a whole, 36 per cent of the total land area is under cultivation. Because of marshes and tidal wetlands, only 23 per cent of the land area in Hyde could be farmed, and in Tyrrell the figure was an even lower 15 per cent. In more recent years some investments have been made to buy and clear commercial farm land, but the bigger investments and developments seem to be in adjacent Dare County. One estimate was that commercial farming was providing about 300 jobs in Hyde and Tyrrell, primarily in the clearing of land, and there is speculation that in both counties tax shelters rather than long-term, job-providing commercial farming operations may be a motive for some of the land-clearing.

Given this background, it follows that incomes are low and unemployment traditionally high. Per capita income in Hyde in 1974 was $2,603 which ranked the county 2,918 out of 3,143 in the United States. Tyrrell, with per capita income of $2,680, ranked 2,873. Median family income rank for Tyrrell was 3,040, and for Hyde it was 3,026. This means that of 3,143 counties, only 117 had median family incomes below that of Hyde and only 103 had family incomes below that of Tyrrell.

Hyde County, with a labor force of 2,350 in 1978 had annual average unemployment of 9.4 per cent. Tyrrell County, whose labor force averaged 1,720 for the same period, had unemployment of 11.6 per cent. These unemployment figures reflect the heavy seasonal nature of employment in the two counties and are roughly double the state-wide average.

But for extremely rural counties such as Hyde and Tyrrell where the numbers involved are small, even the Employment Service will admit to some question about how well the 70-step method of calculation presents a true picture of the situation. Underemployment is considered a serious and continuing problem reflected in the fact that in 1976 the Migrant and Seasonal Farmworkers Association estimated 70 per cent of the families in Hyde and Tyrrel counties had incomes below $3,000 per year and the actual unemployment rate somewhere above 12 per cent.

The economic activity, such as it is, is dominated by a few white land and business owners. One person familiar with the local racial atmosphere, noted that one bank, not a local one, had loaned ECI $30,000 at one point, but added that 75 per cent of ECI's clientele was black, and, "We do not get much sympathy for a black cause."

IV. PLANNING PHASE

The overall goal of the development plan always was to increase the earning capacity of the economically disadvantaged farm workers in Hyde and Tyrrell counties. But the steps along the way evolved first from crab pot making to eel pot production, to the collection and shipping of live eels, to teaching farm workers to fish for eels (and equipping them to do so), to building and trying to operate a full scale eel processing, freezing and shipping plant so that jobs could be provided both for those who packed eels and for those who actually pulled the eels from Pamlico and Albemarle sounds.

The Migrant and Seasonal Farmworkers Association, and its offshoot, East Carolina Industries, never lost sight of the goal of increasing income for poor farm workers stranded in the economic backwaters of eastern North Carolina. But no one could foresee, when the first idea came to Mr. William Newman of the

Migrant and Seasonal Farmworkers Association staff to organize the production of crab pots, that it would lead to construction of a full-fledged eel processing plant and the selling of eels in the international market.

For those reasons, the tracing of traditional planning steps are not detailed in this section but are integrated in the Program Description and Implementation Phase sections which follow.

V. PROGRAM DESCRIPTION

Having made a good beginning in the eel catching, processing, shipping and freezing business, the Farmworkers Association and East Carolina Industries found themselves somewhat unexpectedly on the verge of major expansion late in 1975. Since part of the money Congress had decided to pump into the economy as an anti-recession step had gone from the Economic Development Administration of the U.S. Department of Commerce to the Community Services Administration, the Farmworkers Association (originally funded by CSA's predecessor OEO and maintaining ties to the agency) quickly became aware of the possibility of a grant.

An "eel industry development" grant application was filed November 18, 1975, with the optimistic starting date of December 1, 1975, and an ending date of November 30, 1976. This 12-month plan was to cost $775,000 and result in the construction of a larger eel processing plant, the purchase of new trucks, and wages for 118 farm workers who would go into eel fishing and turn their catches over to East Carolina Industries. CETA money from the Farmworkers Association's Section 303 grant would train the farmers to fish while the bigger plant was being constructed. A by-product would be 59 construction jobs at $516 per month for four months for farm workers who were also economically disadvantaged. A total of $419,360 was set aside to pay the 118 eel fisherman $437 per month for eight months. They would buy their own boats and other necessary equipment. After the initial period, they would go on their own, with the expectation that they would continue to sell to East Carolina Industries at competitive market prices.

That was the intended program. As the section describing the Implementation Phase will show, not everything turned out as planned or when planned.

VI. IMPLEMENTATION PHASE

Instead of getting approval of its CSA grant in December of 1975 as hoped, the Farmworkers Association was informed of approval on February 27, 1976, and asked to have people at work March 1. This was impossible, of course, but because the Farmworkers Association had sought out a contractor early, a contract for construction was signed February 28, 1976. Despite the fact that ECI expected to be back in the eel business by the Fall of 1976, delays, which cost money, kept the plant from opening until May of 1978 when it was leased to a foreign firm.

Probably the best summary of how things went -- problems encountered and how the Farmworkers Association and ECI sought to overcome them -- is found in a summary prepared by Mr. William H. Shipes, executive director of the Migrant and Seasonal Farmworkers Association, and his staff for CSA in May of 1977. (Some condensing and paraphrasing have been done.)

Said Executive Director Shipes: "On November 18, the Farmworkers Association applied for $775,000 to expand and further develop its eel fishing operations in Hyde and Tyrrell counties. The funds came from the Department of Commerce to be administered by the Community Services Administration. Because of the short period between when the grant was approved and the time all staff had been hired (April 15, 1976), the construction contract phase of the program had to be written for design/build. Because the grant came from Title X funds, it was to be manpower intensive. This meant that the construction phase of the proposal had to be done with a great amount of labor. This is contrary to modern construction techniques which emphasize low labor cost. MSFA submitted the contract to bid in the newspapers, but received no response. Six general contractors were contacted, and only one replied positively. This contractor expressed apprehension about a high labor intensive contract but agreed to take the job. On February 28, 1976, the Migrant and Seasonal Farmworkers Association signed a contract with WIMCO, Inc., Washington, N.C., to design and build an eel processing facility in Fairfield, N.C.

"Once the construction began on the plant, the labor intensive aspect began to create problems and delay. This was very costly. In meeting the labor intensive requirement of the contract, drawing as much as possible upon unemployed persons in the immediate vicinity, the contractor had to train a number from zero to a fair capability in some basic construction operations. However, very few reached the level of competence that was necessary for accurate projections or for normal construction productivity in the project as a whole. By the same token, it was impossible for the contractor to pay these persons in true proportion to their productivity, since to do so would take them below minimum wage levels. The contractor shifted and reshifted constantly in an effort to build a disciplined production team representative of the best available workers. Nevertheless, unpredictable, high unit costs and low productivity remained characteristic of the labor force.

"Because of the short period of time involved in getting all personnel hired as dictated by the grant, we were forced to negotiate with the various regulatory agencies as we proceeded with construction. This led to much delay and affected the overall design of the plant at great cost.

"A considerable amount of design time was put into a thorough study of overall plant energy requirements. Refrigeration loads represent the heaviest of our energy demands, and refrigeration of air, in design terms, has proven to be our weakest proposed investment in terms of cost/benefit. This is true because (a) refrigeration of air inside the present freezer is already adequate (though inefficiently applied) for our freezing and storage needs, and (b) refrigeration of air above the eel holding tanks is not as effective in saving eels alive as the same amount of refrigeration would be if applied directly to the water in which the eels are contained. Accordingly, the change in emphasis is proposed to cool water instead of air. The result of this change is economy in first cost and in operating energy cost.

"The most critical delay in time involved both the grantee's and the contractor's attempts to comply with requirements and obtain approvals with regard to environmental conditions. Simply stated, the basic approvals necessary were three: (1) to enable usage of local water supplies; (2) to enable transfer of used water to a point of expulsion; and (3) to enable expulsion of used water into a local water supply (Lake Mattamuskeet). Beginning in April, 1976, approvals for these operations were sought from the appropriate agencies. Without appreciable delays, approvals were made to use and to expel the water. The transfer (by pipeline) of used water to the expulsion site was continually stalled through administrative error on the part of local wildlife officials, even though approval was assured.

"Meanwhile, the pipeline materials had been ordered and were stored by the construction firm through the period which was projected for completion. The contractor continued to absorb fixed costs as a result of leased equipment and manpower retained during this waiting period. Finally, MSFA was contacted by the contractor, who indicated that the time lag had not only caused a depletion of the profit margin, but also had necessitated expenditures over and above the contract award amount. Having arrived at an impasse, all work was stopped -- within two weeks of completion.

"In an effort to untie the administrative blockage to the pipeline problem, MSFA has sought and received congressional assistance. Assurance of final pipeline approval has been scheduled for May 15, 1977.

"The plant is approximately 95 per cent complete and it will take $64,882.06 to finish. In summary, the cost override on this contract has been due primarily to the contractor's sincere effort to employ those persons in greatest need of employment at the expense of productivity. To a lesser degree, the override is a result of our effort to protect the local environment and to be energy efficient for the sake of the future of the region and the nation as a whole."

But pipeline approval of a mile and a half stretch into Lake Mattamuskeet did not come in May of 1977 as anticipated, despite efforts by a sympathetic congressman and others to get something decided.

In the interim, since the eel handling capacity of some 300,000 to 400,000 pounds per year of the first plant had been destroyed to make way for new construction, ECI was going broke, and former farm workers had no place to sell the eels they had been taught to catch. The projected capacity of the new plant -- 1,200,000 pounds per year -- could not be achieved without plant completion, including the pipeline into the lake, and without the crucial ingredient that had hampered the operation all along -- operating capital.

An illustration of the need for capital comes from a description of the process itself. Fishermen -- a group traditionally close-mouthed about fiscal matters -- do business in cash. A day's catch on the dock at sundown is not to be placed on a bill or invoiced at the end of the month. If the buyer wants the catch, he approaches the person in charge of the boat ready to bargain, cash in hand. Eel fisherman developed the same selling habits. Thus, when an ECI truck went to the live holding tanks at the end of a pier to pick up a single fisherman's catch accumulated over two or three days, cash was customary -- and necessary. At the other end of the process, frozen or live eel shipments often go by air to Europe in containers that weigh about 30,000 pounds. By the time ECI had collected and sent even one air shipment, and had begun collecting and freezing more eels for the next shipment, it was not unusual to have $30,000 to $50,000 tied up before money could make its way back from the buyer in Europe. (An error in the handling of a letter of credit at one point caused ECI to ship about $29,000 worth of eels for which it never collected, a development that put another crimp in an already tight capital situation.)

The agencies that had to be dealt with for various clearances sound like an index of every possible environmental interest:

The North Carolina Department of Agriculture -- an inspector was driving by the construction site one day and saw a sign which erroneously said an "eel packing plant" was being built. He and others had to be convinced of the difference between "packing" for human consumption in contrast to "processing" -- holding the eels in tanks without food for three to five days while they purge their stomachs, then freezing them live for shipment out of the country for actual preparation and consumption abroad.

The North Carolina Division of Health Services -- to get a sanitation permit.

The Hyde County Health Department -- to get another sanitation permit.

The North Carolina Department of Transportation -- to get a permit to build a driveway from the nearby state road onto plant property.

The Environmental Protection Agency -- to demonstrate that no general ecological damage would result from the plant.

There were others, but in the end, the crucial agency was the U.S. Department of Interior and the management of the Lake Mattamuskeet National Wildlife Refuge -- the lake from which the eel plant needed to take water and into which it needed to discharge the same water after it had been pumped through the eel holding tanks. Waste matter discharged by the eels was to be trapped and trucked from the plant site so that, as one near-desperation plea put the case: "It can be truthfully said that we do not want the use of your water, but the oxygen in the water. However, we must ask you to give us permission to use the water."

Without explanation for the delay in what had been anticipated as a 90-day procedure 18 months earlier, approval to build the discharge pipe a mile and a half out into the shallow lake along the bank of Highway 94 causeway that crosses the lake came in April of 1978.

CSA covered cost overruns of some $65,000 and the project was completed, by which time ECI had no resources left with which to begin operations.

Eel fishermen meanwhile, had not been employed on fixed wages as planned. Instead, it was decided the grant money should go to equip them with boats, eel pots and other gear at a cost of about $5,000 each. This left fishermen with a commitment to sell to ECI (at a time when the plant was under construction and could not buy). It also was recognition of the fact that most of the economically disadvantaged former farm workers could not establish the credit necessary to buy a boat and gear, despite a promise of wages for fishing.

Faced with a completed plant, but no capital and trained equipped eel fishermen, ECI took the only possible way out: It leased the plant to Don-Hy Natural Resources and Development Company for $1,500 per month and a percentage of the poundage.

ECI had debts. It had kept its trained plant crew at work, unproductively, for several months during what was originally to have been a relatively brief shutdown period for construction.

The rent brought debts down about $50,000 when Don-Hy gave notice in May of 1979 that it was not making a profit and would break its two-year lease. That shut the plant down and resulted in court action that is still unsettled. CSA, meanwhile, had reluctantly given approval for leasing the plant built with its grant funds, a situation that left the question unclear as to title to the property and the authority of ECI to lease.

VII. PROGRAM OUTCOMES

There were many program outcomes, intended and unintended. The intended original outcome was increased incomes for tenant farm families whose only prospect in Hyde and Tyrrell counties was part-time, low-wage agricultural work. From the time ECI was formed and the first crab pots were sold, some incomes began to go up. As CETA 303 funds were used to teach eel fishing and EDA-CSA funds were used to equip farmers to fish, more incomes went up.

As East Carolina Industries went through its efforts to establish an eel processing plant, private seafood brokers were not sitting on their hands leaving all potential eel profits to the cooperative and its farmers. Seafood brokers from Philadelphia, Pa., Charleston, S.C., and Montrose, Va., were in the market, too. At times, ECI found that when its own trucks went to pick up an eel catch, a commercial truck had already been there earlier. And as ECI went through its shutdown period for expansion, commercial brokers had moved in. The Don-Hy operation put some former farmers who had stopped tending eel pots for lack of a steady market back to work on Albemarle and Pamlico sounds. But Don-Hy was trying to cater to the Japanese market where eels of about six ounces in size are favored. Fishermen found they often could not market an entire catch, or they were offered lower prices for mixed sizes.

The marketing approach of Don-Hy, according to some familiar with the effort over the years, reduced potential profits, especially since the Asian-oriented firm appeared to ignore the European market where East Carolina Industries had earlier sold eels of all sizes. The firm's unwillingness to buy all sizes of eels caused fishermen to look for other buyers as well.

But probably the most lasting outcome so far -- one unintended -- is the interest of the seafood brokers who now make regular trips along the Hyde and Tyrrell coasts picking up eels a few hundred pounds at a time in tank trucks and hauling them out of state for the same type of processing that East Carolina Industries provided, and selling in the same foreign markets where East Carolina Industries once traded.

The eel plant is still intact, and when legal entanglements are unraveled, ECI still has hopes of operating the plant and buying from former farm workers.

The beneficiaries at the moment, however, are the eel fishermen. With $5,000 worth of equipment and patience and long hours, an income of $18,000 to $20,000 is possible. Not all the estimated 200 former farm workers earn at that level and follow-up to see exactly how many do seems difficult if not impossible. But many do. Just one small operation on the Pamlico shore near the isolated town of Pamlico Beach is operated by a citizen from the Republic of China (Taiwan) with marine biology degrees (and about a $25,000 investment) and a former supervisor at the ECI eel plant. They estimate they buy from about 50 persons who can specifically be identified as former CETA trainees. The price of eels in the Fall of 1979 was 60 to 65 cents per pound to the fishermen. The catch is valuable enough to be hauled in tank trucks some 400 miles west to the state's major airport in Charlotte for overnight shipment to San Francisco and sale into the Chinese and Japanese communities there at a profit of up to 10 cents per pound to the two entrepreneurs in Pamlico Beach.

In 1979, it was estimated that as much as 1,500,000 pounds of eels would be landed on Hyde and Tyrrell piers and that as much as $1 million would change hands for the catch. Men and women who used to chop corn for subsistence wages are now sharing in that business.

VIII. SUMMARY

From crab pot making by hand, East Carolina Industries moved into the sophisticated international seafood trade with what Americans often regard as a trash fish. Fighting lack of capital and bureaucratic slowness all the way, ECI was thwarted from reaching its ultimate goal of operating an eel plant through a cooperative owned by economically disadvantaged farm workers. But the efforts did bring other eel buyers, the market is there and growing, and so are the eels. CETA-trained fishermen and other economically disadvantaged persons who were granted boats and gear now make better livings on the sounds than they ever had any hope of making on the flat, marshy farmland of Hyde and Tyrrell counties.

Case Study:
GREENE-HALE SEWING COOPERATIVE
CONSORTIUM FOR THE DEVELOPMENT
OF THE RURAL SOUTHEAST
Greensboro, Alabama

IN RURAL ALABAMA, A LOCAL COUPLE WORKING TOGETHER WITH A REPRESENTATIVE OF A GARMENT MANUFACTURER ESTABLISHED A SEWING COOPERATIVE THAT HAS PROVIDED SKILLS AND JOBS TO MORE THAN 3,000 MINORITY WOMEN. THOUGH PLAGUED WITH PROBLEMS OF LACK OF LOCAL SUPPORT, HIGH TURNOVER AND NOT ENOUGH OPERATING CAPITAL, THIS COOPERATIVE HAS SURVIVED WITH THE HELP OF A REGIONAL SUPPORTING CETA-FUNDED AGENCY AND THE DETERMINATION TO SUCCEED FELT BY ITS MEMBERS. CETA HAS ALSO HELPED WITH ON-THE-JOB TRAINING.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Out of the civil rights strife of the 1960s in the rural South evolved the notion that small grassroots organizations could help one another by working together to pursue common goals. One of the most pressing problems of the rural South was the poverty of those who had traditionally depended upon an agrarian economy for their livelihood. Success in achieving civil rights further emphasized the need to act in concert to achieve economic benefits.

To help ameliorate the immediate needs of the poor, one of the civil rights groups set up a "sewing room" to make clothing for children. It was this small volunteer effort that was to become the seed for the idea of a commercial sewing cooperative. In subsequent years, with the help of a small personal loan and assistance from organizations such as the Ford Foundation, the Presbyterian Church, the Alabama Council of Human Relations and the Federation of Southern Cooperatives, the first sewing cooperative in Greensboro, Alabama, was initiated.

Many changes in the economy and in national politics have have forced the cooperative to supplement its meager resources with funds from various sources, including the Comprehensive Employment and Training Act. Yet, over the years, thousands of black women have held their first substantial regular, wage-earning jobs and have received the training that enabled them to compete successfully in a limited labor market.

B. Relevance to Other Area Economic Development

Both Hale County, where Greensboro and the sewing cooperative are located, and adjacent Clark County in Alabama are dominated by agriculture, the lumber industry and garment manufacturing. The sewing cooperative draws employees from both counties. Hale County, in particular, supports four commercial sewing enterprises, of which the Greene-Hale Sewing Cooperative is one; in Clark County, the major employer is Vanity Fair Mills.

However, the Greene-Hale Sewing Cooperative is not part of an overall economic development strategy. Because of racial discord in these communities, Greene-Hale functions in isolation from other business and industry. The Alabama Industrial Development Office, which is charged with the responsibility of enticing new businesses to the State of Alabama, avoids showing prospective employers sites in areas that are troubled by racial tensions, even though the Governor of Alabama has publicly committed state resources to the development of rural areas traditionally dependent upon farming or the lumber industry.

What may be regarded as an economic boom is the construction of a major shipping canal along the Tennessee-Tombigbee Waterway. This construction has resulted in jobs for many of the unemployed poor in surrounding counties as a result of a federal commitment to award a significant portion of the new jobs to minorities, women and local residents.

C. The Project And the Five M's

Money is and has been a critical problem for the Greene-Hale Sewing Cooperative. The original investment capital came from three sources: a personal loan from one of the founders of the cooperative, the Alabama Council of Human Relations and the Presbyterian Church. Materials are provided via work contracts with the L.V. Myers Company of New York City, which provides the material and patterns and contracts for the labor to sew the garments. Capital is used to purchase commercial sewing machines and to rent space.

Manpower is available in the form of unemployed women, most of whom are members of farm worker families. As cheap foreign labor forced American firms to become more competitive, CETA money from Title III, Section 303 was used to pay for the training of employees from seasonal farm worker families.

The market is national, with New York City the center of the garment industry. Companies whose business is to handle subcontracts with commercial sewing enterprises are themselves contractors to wholesale distributors of garments, such as J. C. Penney, Lane Bryant and Sears, Roebuck and Company. Unable to find one garment manufacturer able to supply all their needs, the wholesalers work through intermediaries, such as the L.V. Myers Company which, in turn, subcontract the work throughout the country.

Management is another critical ingredient in the success of the enterprise. Management expertise came about through trial-and-error as the originators of the cooperative taught themselves management and training techniques needed to maintain the productivity of the workers. One of the most valued sources of technical assistance was the L.V. Myers Company, which apparently saw it to be in its best interest to aid subcontractors by providing expertise in organizing and training staff and in maintaining equipment. It was with the support and help of Mr. Sid Miller of the Myers Company that the new cooperative was able to reach maturity.

D. Preliminary Assessment of Success

The measure of success for a cooperative is not quite the same as it is for a private firm, as cooperatives need not show a profit margin in order to be successful. In fact, many cooperatives plow their profits back into expansion, thereby permitting benefits to go to more members; this was the case with the Greene-Hale Sewing Cooperative. The cooperative's original goal, which has remained unchanged, was to provide employment and training for unemployed black women, many of them destitute heads of families. The supervisor of this program regards it as highly successful because it has achieved its two goals of providing employment to individuals who otherwise would go jobless and providing some training and work experience that would make it possible for them to obtain jobs elsewhere. Thus, a high turnover, although reducing productivity, does not seem a disadvantage and is not viewed as undesirable.

In terms of achievement against incredible odds, the Greene-Hale Sewing Cooperative must be viewed as successful. Without the support of the private lending institutions or the local business establishment, the cooperative has managed to remain a viable industry for 12 years. It has demonstrated remarkable success in gaining support from a diverse number of organizations and has withstood downturns in the national economy, rising production costs and competition from foreign labor.

E. Summary of Difficulties Or Advantages In Project Development

The Greene-Hale Sewing Cooperative has one advantage that may account for its ability to overcome various problems. The members of the cooperative have a vested self-interest in the success of the entire organization. The workers are more than employees; they share in the benefits of the organization in many ways. For example, employees will band togethr to purchase automobile tires, children's shoes and other staples in bulk, thereby saving money. The dedication of the employees who believe that their sewing cooperative is a symbol of their economic independence gives this economic development effort the characteristics of a cause to which one may become emotionally committed.

There are, however, many problems. The Greene-Hale Sewing Cooperative has a history of confrontation with the establishment and with the business community in which it operates. This results in a lack of general community support and, in some instances, in overt resistance. (There was a campaign to prevent the Greene-Hale Sewing Cooperative from renting its present quarters, although a commercial sewing enterprise was operating immediately across the street.)

The lack of management and marketing expertise has been difficult to overcome, although the Federation of Southern Cooperatives has offered its assistance by providing loan guarantees and technical aid. Another difficulty was the lack of capital for needed physical improvements in the plant and for a contingency fund to defray costs until contracts could be completed. The L.V. Myers Company does not advance money for work to be done, but rather, pays after the finished products have been shipped. This means that a certain amount of operating capital is necessary. The Greene-Hale Sewing Cooperative has never had the luxury of sufficient operating capital, at times having to turn down some contracts because it could not raise the advance capital necessary to begin work.

F. Overview of Case Study to Follow

The case study that follows provides a description of the environment in which the Greene-Hale Sewing Cooperative functions. It describes the dynamics involved in the planning and development of this enterprise and the way that CETA funds were used to further its objectives. In addition, insights and experiences of the principal participants in this endeavor are offered as possible guides to economic development in other rural areas where a similar approach might be used.

II. GENERAL BACKGROUND

In 1978, the Consortium for the Development of the Rural Southeast was formed as a non-profit organization composed of a number of southern-based community development agencies, including the Federation of Southern Cooperatives, Emergency Land Fund and the Southern Cooperative Development Fund. The purpose of the Consortium was to unify various organizations with similar goals and, using the strength of numbers, to claim more of the resources needed to develop the economy in various parts of the rural South. The Consortium coordinates grant applications, promotes good public relations and serves as a general administrative arm for those program monies it is successful in acquiring. Its member agencies may, and do, function independently of the Consortium in matters not specificaly related to the Consortium interagency agreement.

The Federation of Southern Cooperatives was originated in 1966, as an organization of cooperatives that would serve as an umbrella agency to provide and coordinate networks of cooperatives throughout the South. At present, the Federation supports member cooperatives in the states of Alabama, Georgia, Arkansas, Missouri, Mississippi, Florida and Louisiana. Serving as a community development advocate for black southerners, the Federation sponsors a Rural Training Research and Demonstration Farming Center; regional housing, health care, education and social services programs for its members; the Minority People's Council that monitors industrialization and development projects such as the Tennessee-Tombigbee Waterway; and PanSco, Inc., a for-profit subsidiary of the Federation. These activities and services are aimed toward promoting the development of the region so that its low-income black constituents benefit from the region's economic growth.

The Greene-Hale Sewing Cooperative became a member of the Federation of Southern Cooperatives in 1967. Since then, the Federation has provided technical and some financial assistance in the form of loan guarantees for some of the necessary operating capital for Greene-Hale. Later, the Consortium for the Development of the Rural Southeast succesfully applied for economic stimulus program funds through the Comprehensive Employment and Training Act, Title III, Section 303 -- the money to support the expansion and continuation of the sewing cooperative. At that time, the Federation, as a subgrantee of the Consortium, assumed a more active role in the administration of the sewing cooperative.

III. SOCIAL/CULTURAL ENVIRONMENT OF THE PROGRAM AREA

The Greene-Hale Sewing Cooperative is located in Greensboro, Alabama, in Hale County, and it provides jobs for residents of Clark and Hale Counties. Greensboro is approximately 50 miles due south of Tuscaloosa, the nearest large city, and is situated in the far western portion of the State of Alabama. Hale and Clark Counties combined cover 1,900 square miles and have a total population of 42,612. Hale County, with approximately one-third of the population and the land mass, has a population density of 22 people per square mile, with less than one-third of the population considered urban. Greensboro, with 1,500 residents, is the only town with a population of more than 1,000 in Hale County. Clark has three towns with more than 1,000 people.

Hale County's population is two-thirds black. Clark County's population is 40 per cent black. There are no other minority groups.

Both Clark and Hale counties are areas of substantial poverty with an unemployment rate of 7.8 per cent for Clark County and a rate of 12 per cent for Hale County. The per capita income is $1,654 in Clark County and $1,272 in Hale County which also has a median family income for four people of $3,852, placing Hale County among the poorest counties in Alabama. (Alabama's rank in median family income in 1974 was 46th.) Approximately 15 per cent of the people in Hale County receive some form of public assistance, but there are no community action agencies or other community-based organizations serving these counties.

Hale and Clark Counties operate under a county commission form of government, headed by a probate judge. The heads of the various county departments usually are individuals who work their way up through the ranks. Health and social services are limited and are made available through the State Department of Pensions and Security (Welfare) and the Health Department.

An agrarian economy dominates both counties, with 47 per cent of all acreage in Hale County devoted to farming. Sixty per cent of the farmers have no other occupations. Fifty-seven per cent of the farms in Hale County have gross sales between $2,500 and $5,000 a year, while in Clark County 67 per cent of the farms produce between $2,500 and $5,000 in gross sales, most of the farms being owner-operated. In both counties there has been a slight decrease in the past 10 years in the amount of acreage under cultivation.

Manufacturing rivals agriculture in terms of the number of employed persons, with 28.7 per cent of the employed individuals in some form of manufacturing in Hale County and 41.9 per cent in Clark County. Hale County has 11 manufacturers that employ 20 or more people, one of these being the Greene-Hale Sewing Cooperative, which employs 40 persons. The largest employers are a chicken processing plant, employing 200 individuals, and a chair manufacturing plant, employing 100 persons. In addition to the Greene-Hale Sewing Cooperative, there are three other clothing manufacturers employing a total of 200 people in Hale County.

Clark County's major employers are the Vanity Fair Mills, whose textile and clothing manufacturing plants employ nearly 1,000 people, and five lumber concerns employing a total of 11,300 people. Two other clothing manufacturers employ a total of 350 sewing machine operators. Government employees, primarily public school employees, and retail trade account for almost all other employment in the two counties.

In summary, Clark and Hale counties share a history of a traditionally agrarian economy that has been slow to change. Even today, mule-drawn plows and harvesters are a common sight. Manufacturing is dominated by the lumber and clothing industries, both of which require minimal training and low skill levels. The low per capita income and the high unemployment rates suggest a high incidence of poverty among individuals who are underemployed and unemployed in a closed society whose members tend to depend upon mutual interpersonal aid rather than on institutional support from government or charitable organizations. This area experienced considerable civil rights strife during the 1960s, when its predominantly black population assumed a nontraditional aggressive posture in an effort to secure redress of its grievances. It was in this period and in this environment that the Greene-Hale Sewing Cooperative was established, endured numerous crises and, survived to provide employment and training for more than 3,000 black women.

IV. PLANNING PHASE

In 1967, Mr. Lewis Black and his wife, Mildred, were teaching school when they became activists in the civil rights movement. As they realized some of their civil rights objectives, they examined other problems in the community that threatened the welfare of black people, chief among these being the lack of jobs. Young people were leaving the area seeking employment in the major cities and sharecroppers who were no longer needed because of mechanization were without work. Mr. and Mrs. Black helped organize a "sewing room" to make clothing for the children of those families and shortly after, the idea of setting up a sewing cooperative materialized. Although neither Mr. nor Mrs. Black knew much about a commercial sewing enterprise, they assumed that it would be easy to train the women working in the sewing room to operate commercial sewing machines. There also seemed to be a constant market for new styles of clothing, so that tapping that market would guarantee steady work. Best of all, the operation could be started with a small amount of capital, and it would provide jobs for women who were struggling to feed their children. With no marketing study, no involvement of sophisticated planning aids and with no established organization providing guidance, Mr. and Mrs. Black and some of their neighbors began the Greene-Hale Sewing Cooperative.

Mr. Black was able to obtain a personal loan in the amount of $2,500. The money was used to rent a building and the first machines. A Southern Rural Action group helped teach commercial sewing, and Auburn University also provided technical assistance. In 1967 and 1969, the Alabama Council of Human Relations provided money to help pay for telephone and transportation costs as well as Mr. Black's salary as manager of the cooperative, as by this time, both Mr. and Mrs. Black had resigned as school teachers and were devoting themselves full time to managing the cooperative. Although wages were no more than the legal minimum and work was not always steady, the Greene-Hale Sewing Cooperative was never short of applicants seeking jobs. Many of those hired eventually left for other jobs as sewing machine operators in nearby Tuscaloosa or in one of the other factories where wages were slightly higher. Women were able to buy food for their families, keep their children in school, buy homes and automobiles, and in general increase their standard of living. Mrs. Black can recite numerous stories of the accomplishments of the children of the employees who were able to continue their education and establish themselves in professions as a result of their mothers' earnings from the sewing cooperative.

Mrs. Black points out that it was the dedication of the employees of the cooperative and the support of Mr. Miller of the L.V. Myers Company that made it possible for the cooperative to survive, as there was no support from the local establishment.

It was not until 1978 that CETA became part of the Greene-Hale Sewing Cooperative's economic development strategy. At that time, the Consortium for the Development of the Rural Southeast applied successfully for CETA Economic Stimulus Program money to support the training efforts of the sewing cooperative. When Mr. Miller left the L.V. Myers Company, his absence made it necessary for the Greene-Hale Sewing Cooperative to become more sophisticated in the marketing aspects of the business. In addition, high labor costs throughout the nation had caused the garment industry to look abroad for labor. The small Greene-Hale Sewing Cooperative had to train additional workers and maintain a larger labor force with greater efficiency than ever in order to remain competitive. However, since one of the primary goals of the cooperative was to enhance the employability of the workers, turnover in the organization was always high; thus, once women became proficient, they were encouraged to move to other jobs to make room for other unemployed women who needed a chance at Greene-Hale in order to break into the wider labor market. The resulting turnover necessarily reduced efficiency and represented a cost to the cooperative that its competitors did not have. CETA funds made it posible to continue that training while maintaining productivity. Thus the cooperative began to develop better marketing capabilities, which will bring larger contracts in the future. CETA also makes money available for greater administrative support, technical assistance and management expertise.

V. PROGRAM IMPLEMENTATION

The Federation of Southern Cooperatives, as a subcontractor to the Consortium for the Development of the Rural Southeast, is responsible for administering CETA funds for the training of CETA-eligible participants of the Greene-Hale Sewing Cooperative. In addition, the Federation of Southern Cooperatives, using non-CETA funds, provided over $15,000 to help defray some of the cooperative's overhead costs.

Training under the CETA program began in July of 1978. The training period is 12 weeks and begins as classroom training combined with work experience. As the women acquire skills, they are moved into on-the-job training positions, and at the end of 12 weeks are ready for unsubsidized employment. So far under this grant, the cooperative has trained 40 women and has employed 60 per cent of these with the others able to obtain employment with other clothing manufacturers.

Commercial sewing is a cyclical business with off-seasons from April to June and from September to November which coincide with the planting and harvesting seasons. Most of the women enrolled at the cooperative are heads of families who have never worked in manufcturing before, possess no employable skills and and are welfare recipients. The salary is the minimum wage of $2.90 an hour, but on occasion, when there are not a lot of trainees workers will be paid at a piece-work rate and will earn more than the minimum wage.

In a commercial sewing operation, each worker has a particular task to complete on a garment. The garment is then passed on to the next worker who sews or has another piece of work to complete. In this production line fashion, women's lingerie is manufactured by the sewing cooperative. During the off-seasons, they may produce and sell children's clothing or lingerie that they have made from damaged material.

The final steps in the production process are folding, bagging and shipping the clothing to the contractor, who pays the cooperative upon receipt of the finished goods. This method of operation requires the sewing cooperative to have enough operating capital to sustain itself until it receives payment on the contracts.

The Greene-Hale Sewing Cooperative has the capacity to employ 48 machine operators, who in turn require four service workers, one machine maintenance worker, one quality control person and one manager.

Using a large number of trainees means that there is a greater likelihood of broken needles, damaged garments and reduced productivity. However, Mr. and Mrs. Black feel that this method of operation is central to the purpose of the cooperative, and they are willing to sacrifice some potential profit margin in order to provide work for the employees, but they also believe that this method may place them at a disadvantage when negotiating contracts. Most of the problems plaguing the cooperative have to do with undercapitalization, managing in a competitive market, rising transportation costs and resistance of the local community. The inability to secure operating capital reflects restrictions in some federal regulations and laws that do not not permit the Small Business Administration to provide assistance to a cooperative, even though it can provide assistance to private sector businesses. The same regulation prevents the Farmers Home Administration from making loans to cooperatives. Without the needed capital, the cooperative must struggle with no contingency fund and no expansion capital.

Lack of experience in clothing construction was not a great handicap when Mr. and Mrs. Black and the cooperative were godfathered by Mr. Miller of the L.V. Myers Company. Now that he is no longer with that firm and Mr. and Mrs. Black must fend for themselves in the garment district of New York City, they find that there is much to learn, and there are many adjustments to make. They have begun advertising their services in the Women's Wear Daily as one marketing strategy. Another problem related to marketing is the need to go through a broker which, of course, reduces the amount of money they make on each contract.

Mrs. Black is quick to point out that there is a decided asset to being a small firm. In a small plant it is easier to maintain better quality control, thus enabling production of better garments; however, larger plants can fill larger orders which the Greene-Hale Sewing Cooperative must now turn down because there are limits to its production capacity, and in the present situation expansion cannot be easily accomplished.

Rising energy prices have tripled shipping costs of finished products. This is another operating cost that the cooperative must accommodate either through expansion or through increased efficiency.

VI. PROGRAM OUTCOMES

The most outstanding outcome of the Greene-Hale Sewing Cooperative effort is that 3,000 women have trained and worked there, acquiring marketable skills and contributing significantly to the overall welfare of their families. One example can be cited in a young black doctor whose mother, prior to her employment at the Greene-Hale Sewing Cooperative, was unable to provide even food for her large family. Now this young doctor is a practicing physician in nearby Tuscaloosa.

The payroll of the Greene-Hale Sewing Cooperative averages approximately $70,000 year. Although it cannot be measured, this is bound to have a profound impact on the economy of the community where the average per capita income is $1,200.

VII. SUMMARY

The Greene-Hale Sewing Cooperative evolved out of a concern for the betterment of black people in some impoverished Alabama counties; consequently, efforts have focused on humanistic goals rather than on purely economic goals. In some instances, these goals have been in conflict as the cooperative has tried to maintain its role as a developer of employable black women in the face of increasing production costs. The goals pursued by the cooperative, or perhaps the manner in which they are pursued, have created conflicts between the cooperative and the community in which it operates; thus, it has not had the support of the local governing bodies or lending institutions, nor has it been part of any overall economic development effort. In fact, these disputes between black organizations such as the Greene-Hale Sewing Cooperative and the white establishment seem to have made Hale and Clark Counties unattractive as possible industrial sites for other companies. Under these conditions, organizations such as the cooperative are seen both as impediments and as assets to the economic development of the larger community.

Although the sewing cooperative has managed to survive, it has done so primarily through the assistance of outside organizations that have been able to provide the resources needed to cope with the crises of a private enterprise. It is possible that investments have been paid back time and time again in the form of reduced crime, less dependence on public assistance, overall better health of the community and greater productivity of the participants and their children. These aspects should be kept in mind in any assessment of the success of the Greene-Hale Sewing Cooperative.

Case Study:
COOPERATIVA CAMPESINA
CENTRAL COAST COUNTIES
DEVELOPMENT CORPORATION
Salinas, California

AN AGENCY REPRESENTING MIGRANT AND SEASONAL FARM WORKERS SUCCEEDS IN CAPTURING A SHARE OF THE CALIFORNIA FRUIT MARKET BY ESTABLISHING AN AGRICULTURAL PRODUCERS' COOPERATIVE TO GROW STRAWBERRIES. IT HAS ACHIEVED A SIGNIFICANT DEGREE OF ECONOMIC SELF-SUFFICIENCY AND PERSONAL SELF-WORTH FOR THE RURAL FARM WORKERS BY PROVIDING EXPERTISE AND OPPORTUNITY, BY USING ALL AVAILABLE LOCAL RESOURCES, BY WORKING TOWARD THE GOAL OF COOPERATION AMONG ALL ASPECTS OF THE OPERATION, AND BY LETTING THE PEOPLE DO THE REST.

I. PROJECT OVERVIEW

A. Project in Historical Perspective

Seasonal and migrant farm workers have become self-employed farmers, accomplishing this unusual transformation through their own entrepreneurial activities and through the help of an intermediary organization. The mechanism for creating their own capital base was the time tested cooperative, while their particular innovation was the creation of a producers' cooperative of independent land owners working on commercial crops, with much more extensive activities than those of the more usual buyers' and marketing co-ops. Although the cooperative is based primarily on strawberries and is located in one of California's most productive agricultural regions, the model upon which it is based can be applied to other areas and to other crops.

The Cooperativa Campesina has been in existence for ten years. The success of its members, who are former migrant and seasonal farm workers, is a provocative and exciting lesson for those who would undertake rural economic development and job creation for the benefit of the rural poor. The Cooperativa Campesina was the country's first agricultural producers' cooperative. Its formation enabled poor rural families to pool their resources, to secure a large amount of outside funding, to rent land, and to produce strawberries. While its members have achieved relative affluence, the Cooperativa has secured its own equity and a credit rating that allows it to obtain bank funding as needed. Central Coast Counties Development Corporation has provided crucial help.

B. Relevance to Other Area Economic Development

CCCDC also has provided support and leadership in the development of a housing cooperative. It aided a group of Mexican-American farmers in forming a cooperative and in purchasing the land and structures of a former migrant housing camp. By securing loans from a number of sources and technical assistance from others, CCCDC helped a large number of families purchase, rehabilitate and inhabit the houses, which are of far better quality than those available to the members in the past. In addition, the housing cooperative now owns community greenhouses, a city hall, school buildings and other facilities on the site. The success of the Cooperativa Campesina has provided CCCDC with legitimacy in its quest to secure additional funds and help from other sources to support other projects.

C. This Project and the Five M's

Each of the Five M's, or key elements of economic growth, was important to the development of the Cooperativa Campesina. Two of the Five M's -- markets and manpower -- were readily available to the development project. Since strawberries were a major crop in the local area before the Cooperativa was formed, local shippers, brokers, and processers were available. Thus, the Cooperativa did not have to seek markets for its products. There was also an ample pool of farm workers -- seasonal and migrant -- to supplement the work of the six original members of the Cooperativa who provided the manpower necessary to make it successful.

The requisite materials were also available within the local area: land, irrigation equipment, plants, fertilizers, tractors, and all other materials necessary for strawberry culture. Money was the key to the Cooperativa's access to those materials. Necessary funds were provided by the vital intermediary -- the Central Coast Counties Development Corporation (CCCDC) -- which secured money from three sources: the Economic Development Administration (EDA), the Office of Economic Opportunity (OEO), and Wells Fargo Bank (the San Francisco office). CCCDC's success in obtaining the necessary funds from these three sources was based on talent, determination, careful groundwork, and luck.

CCCDC also provided the fifth and pivotal key element of economic development: management. The success of the Cooperativa Campesina is a reflection of the idealism and talent of the board of directors and staff of the CCCDC. Members of the board devoted countless hours and shouldered enormous personal costs. They and their staff provided the management capabilities needed to secure and use large grants and loans of money and to coordinate numerous support services, provided members of Campesina with management skills, and helped to train the cooperative's own staff. The dedication of those associated with CCCDC to the achievement of Campesina's goals is at least as important as any other element in explaining its success and demonstrates the facilitating role that an intermediary can take toward economic development and job creation in rural areas.

D. Preliminary Assessment of Services

The Cooperativa Campesina is a success. Its members have become independent strawberry producers able to support themselves and their families. They hire between 800 and 1,000 seasonal farm workers to work with them during the harvest season. They have paid off all of their initial debts and have established a good credit rating with local banks. They have been able to purchase their own land after initially operating on rented land.

The success of Campesina is closely linked to CCCDC's achievement of its broader goals. It has demonstrated the viability of agricultural producers' cooperatives. It has demonstrated to the Mexican-American community of Santa Cruz and Monterey Counties that migrant and seasonal farm workers can become independent, self-supporting farmers. CCCDC has been successful in transferring the model to other groups of farm workers: it has established three additional successful strawberry growers' cooperatives in the local area and has helped to establish others in the central valley of California.

E. Summary of Difficulties or Advantages in Project Development

The primary difficulties faced by the Cooperativa Campesina and its supporters in its initial years were those which face all who seek to help minorities and the poor in rural areas. Political and economic institutions in the community were not prepared to provide the necessary support sought by the cooperative. The Cooperativa had two very important advantages, however. The members, all Mexican-Americans, believed that they could succeed and were determined to do so. They were supported by CCCDC, whose devotion of time, resources, and expertise made it possible for the Cooperativa to attain the resources it needed. The importance of these factors will be demonstrated in the case study which follows.

F. Overview of Case Study to Follow

The case study begins with an explanation of how the program area fits into the diversity that is California, the social and cultural environment, the local economy, and the existing labor supply and demand in the area. The description of the planning phase demonstrates that the project was not developed according to the rules of good planning. The goals and objectives of the project were identified at the same time that the CCCDC and the Cooperativa were deciding what kinds of activities they would undertake. Decisions about where the program would go and how it would get there were made simultaneously. Likewise, the definition of objectives and the implementation of the program occurred simultaneously. Program design was essentially an iterative process in which various approaches to the overall problems were identified, analyzed, and, if deemed workable, adopted as goals. The case study ends with an examination of program outcomes, an impressive list of benefits to the participants of the community and the agencies involved.

II. GENERAL BACKGROUND

The intermediary organization -- the Central Coast Counties Development Corporation -- provided guidance, expertise, and the capital required to begin the operations of the Cooperativa Campesina. It has been able to secure public and private funds to support its efforts to move Mexican-American farm workers out of the migrant stream and out of seasonal employment and into stable and secure employment and even economic independence. Its goals are ambitious, and the board of directors and staff have contributed enormous amounts of time, thought, and effort to achieve them. Without this intermediary, Campesina would not have been created nor would it have succeeded.

In recent years, the tourist centers of Monterey and Santa Cruz counties have attracted a large number of well-educated and sophisticated citizens both as retirees and as entrepreneurs. In addition, one of the most prestigious branches of the University of California is located in Santa Cruz. Consequently, both counties have well-developed sophisticated political systems in which the rural poor have not been active, thereby perpetuating their isolation from political power, a situation characteristic of California in the past.

Agriculture in the area, as in all of California, has been dominated from the beginning by what has come to be known as agri-business. A relatively few individuals and companies have owned and dominated the agricultural areas of California for more than 100 years. This story, perhaps told best by John Steinbeck in The Grapes of Wrath, has been one of continuing exploitation of farm workers -- Chinese, Japanese, Mexicans, and the Okies who fled to California from the Dust Bowl. Even now, Salinas is a focal point of the struggles between Cesar Chavez and his United Farm Workers's Union and the giants of agri-business. In years past, both the police and sheriffs' departments in the Salinas area, as well as the total political process, have been captured and used by the land owners against the farm workers. The dominant forces remain opposed to any economic development that would expand benefits to any others besides those who already hold wealth and power. Thus, rural poor have not been able to use the political system to advance their own interests.[1]

CCCDC, the crucial intermediary in this story, seeks to change this historical pattern of dominance and exploitation. It has found less resistance to its efforts to secure progress for the less-advantaged than might have been expected; in fact, CCCDC staff have experienced no resistance to their attempts to establish producer cooperatives designed to make farm workers self-sufficient contributors to the local economy. However, this lack of resistance may not indicate acceptance

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1/ Lawrence F. Parachini, Jr., The Central Coast Counites Development Corporation: A Case Study, The Center for Community Economic Development, January, 1978.

by the local powers but may perhaps be explained by the rather small number of farm workers actually removed from the migrant and seasonal farm worker pool by the programs. Thus, the supply of cheap farm labor has not yet been affected by the success of the cooperatives, whose output has not yet threatened the market position of other producers. Another point to note is that the dominant cultural value in the area is not the typical disdain in which poor and unemployed persons are held in many other rural areas; instead, dominant institutions continue to view the farm workers as a resource to be exploited for the profits of agricultural business and provide them with only those social services necessary to maintain them as productive laborers.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The program area is made up of two counties -- Santa Cruz and Monterey -- which follow the coast of California south of San Francisco. Santa Cruz, the major city in Santa Cruz County, is close enough to the San Francisco Bay Area to allow some residents to commute to San Jose and other Bay Area communities for work. All other major population centers in the area are south of Santa Cruz and do not serve as residences for commuters to the Bay Area.

These two counties share the characteristics which have made all of California appear to be an especially favored part of the country. The beautiful coast line is a tourist attraction for Californians as well as others. The remainder of the area is primarily agricultural and supports ten crops which earn more than $1 million per year.

The area has shared in the economic and population growth of California. In recent years both income and population have continued to grow; however, unlike the rest of the state in the last two years, the number of jobs has not increased as rapidly as the population. The unemployment rate increased during 1977 and 1978, was projected to increase again in 1979, but is expected to level off or even decrease in 1980.[2]

Santa Cruz County is relatively small, only 440 square miles. Santa Cruz is the main city in the county, with a population of 37,600 in 1976. Monterey County is significantly larger with 3,324 square miles. Its urban centers are Salinas, with a population of over 70,000, Seaside (36,150), Monterey (29,600), and Marina (20,250). In 1977, the population of the two counties was 441,500. With the exception of Salinas, the other urban areas are located along the coast and have economies based primarily on tourism and service. In contrast, Salinas is 20 miles inland and is a manufacturing center for food processing and other industries. Major employers include Firestone Tire and Rubber Company, Spreckles Sugar, Spiegl Foods, Inc., Kaiser Aluminum and Chemical, McCormick and Company, Inc., and John Ingles Frozen Foods Company. Smaller manufacturers in the area produce corregated shipping containers, airline ground support equipment, transformers, and chocolate and other food products. Major nonmanufacturing employers include the county, city, school districts, hospitals, utilities, and retail outlets.

Twenty per cent of the population in the program area is classified as Spanish-American. A combination of Oriental groups (Chinese, Japanese, and Filipino) comprise another 2.5 per cent of the population, with no other minority group representing even

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2/ Annual Planning Information: Salinas-Seaside-Monterey Standard Metropolitan Statistical Area, 1979-1980 (Employment Development Department, Health and Welfare Agency, State of California, May, 1979).

one per cent. The CCCDC's decision to concentrate its activities on the Spanish-American population did not reflect a denial of its resources to other groups, but indicated the dominance of its target group in the local minority population and their higher unemployment rate and lower income level. The model for action it has developed may be used by other minorities in other localities.

In 1970, the per capita income for the area was $4,500. In 1974, the median income of Spanish-American families ($7,540) was approximately $1,500 below the median family income of the area's Caucasian population. The same disparity is true in education: 63 per cent of the white population but only 37 per cent of the Latin population had completed high school, and 18 per cent of the Latin population had not finished fifth grade.

Slightly less than 20 per cent of the civilian labor force of 199,400 is employed in agricultural/wage and salary positions. Of these, 74 per cent are farmers and farm workers (farm laborers and wage workers, farmers, owners and tenants, supervisors, and farm managers). Seventy per cent of the non-agricultural wage and salary positions are in government, services, and retail trade. In addition, more than 40 per cent of the jobs in manufacturing are in food processing and related activities. Thus, agriculture, retail trade, and services are the primary sources of employment other than government.

In general, Santa Cruz County has suffered a higher unemployment rate than Monterey County, although this situation was reversed by December, 1978. By that date, the unemployment rate for the total area was 8.47 per cent, or 16,900 people. Because of the predominance of agriculture and tourism in the local economy, seasonal unemployment is a severe problem. Like the rural poor elsewhere, the minority Spanish-American population bore more than its share of the burden of high total seasonal unemployment.

Santa Cruz and Monterey counties offer a broad range of state and locally funded social services to local residents. CCCDC was able to make use of an extensive system of services that previously had not been directed toward the achievement of independence for the Spanish-American. CETA, Employment Development, Welfare, Public Health, Community Action, Agricultural Extension, Community Services, Consumer Affairs, Mental Health, Housing, Personnel, Senior Citizens, Social Work, and Veterans Affairs Departments all provide services in the area. There are also extensive vocational and other educational programs available to local residents, including community colleges, adult education programs, local high schools, an Adult Learning Center, a Center for Education and Training providing classroom training in clerical, mechanical, custodial and other skills, a Regional Occupational Program providing training in banking, cashier, medical receptionist, clerical. bookkeeping, and other skills, and numerous other programs. The farthest that any participant in the cooperative program has had to travel for training has been 22 miles, and a carpool was provided in that case.

It is important to this story of the development of the Cooperativa Campesina that the founders and early supporters of the cooperative felt that none of these agencies addressed the basic problems of the migrant farm workers. The migrant and poor farm workers either were not served by these agencies at all or were provided with minimal services that only maintained the farm workers as cheap resources available to local agri-business.

IV. PLANNING PHASE

Because CCCDC and the member farm workers had no model on which to base the creation of Cooperativa Compesina, planning and implementation were interspersed, as plans were expanded and changed on the basis of experience. The Central Counties Development Corporation has been the primary planning agency throughout the development of the project, with other agencies being brought into the planning process as their expertise and resources were needed. Throughout, the members of the Cooperativa have been equal partners with CCCDC's staff and board of directors in the planning process, as CCCDC recognized that plans made without the participation of co-op members had little chance of adoption or implementation.

The development of Cooperativa Campesina was part of the development of CCCDC and cannot be related or understood separately. CCCDC grew out of the frustration of a Chicano community activist, Ms. Alice Santana, through efforts by the local Community Action Agency (CAA) to open job opportunities to local minorities and through the attitudes of the white business leadership and local government toward those efforts. Although she was employed by the CAA, she began searching for alternative approaches to the problem. Her search brought her into contact with a field official of the Economic Development Administration (EDA), who brought her and several other Chicano leaders together with black community leaders from Seaside. CCCDC was formed in 1969 by this group of blacks and Chicanos. Its initial purpose was to extend technical assistance to minority persons interested in starting new business ventures or in improving existing ones, its activities encompassing both Santa Cruz and Monterey Counties. The CCCDC was formed as a private, non-profit corporation.

The Chicano leaders who were members of the CCCDC's original board of directors, particularly Ms. Santana and her husband, Mr. Manuel Santana, became increasingly convinced that minority small businessmen were not the individuals most in need of help. They concluded that such individuals had sufficient drive and ability to find resources on their own. Accordingly, they focused increasing attention on the problems of farm workers. As a result, the blacks, who remained primarily interested in small business development, withdrew from CCCDC. In a short period of time, the board of directors agreed upon a simply stated but profound set of goals:

(1) to bring about comprehensive rural development, utilizing agriculture as the primary resource for the development of rural areas;

(2) to use development projects as vehicles to provide the establishment of individual and collective capacities as well as immediate, direct benefits to low income participants;

(3) to create an environment (in both the public and private sectors) conducive to the financial, technical, and human resources development necessary to ensure the success of these projects.

While the statements of these goals have been refined over time, their essence has not changed.

At the same time that the CCCDC was focusing its attention on agriculture and articulating its goals, it was approached by six Spanish-American farm workers seeking help in escaping the limiting seasonal and migrant working choices so far open to them. It was not accidental that these particular Spanish-American farm workers approached CCCDC at this time, as they had all been participants in programs and activities run by Ms. Santana and other individuals now associated with CCCDC. Their original request was for help in setting up a sharecropping system. Mr. Santana convinced them that they ought to think in terms larger than sharecropping, to think of becoming independent farmers through the formation of a cooperative. Together the CCCDC board of directors and the farm workers developed this idea.

V. PROGRAM DESCRIPTION

By the end of the planning phase, the following objectives had been identified: the creation of a strawberry growers' cooperative that would enable its members to become economically independent; the development of a model for the creation of producers' cooperatives that could be duplicated in other areas and based on other crops; and the development within the local Spanish-American community of a recognition of the ability of its members to achieve economic independence. The definition of these objectives occurred simultaneously with the identification of goals and the specifications of CCCDC's relation to the Cooperativa Campesina. It is obvious that the plan and the objectives did not emerge from a "rational" planning process, which would have begun with the identification of goals and then proceeded to the definition of objectives, suggesting that groups or individuals in other areas can begin planning economic development and job creation activities for rural areas without first achieving consensus on a statement of goals, a definition of roles, and strategies to achieve goals.

VI. IMPLEMENTATION PHASE

An ex-Peace Corps Volunteer, who had been drafted out of South America and who had subsequently been granted conscientious objector status, was hired by CCCDC to help the cooperative. This ex-volunteer rented approximately five acres of county land outside Watsonville for $1 per month. Cooperativa's members planted zucchini on the land during the first winter because this is a crop requiring little expertise and producing high yields.

At the same time, the board of directors of CCCDC continued to seek funding for its activities and for the cooperative, concentrating its initial fund raising effort on the Economic

Development Administration. During the winter of 1969-1970, CCCDC's contact person within the agency overcame internal resistance to the devotion of funds to an organization primarily concerned with migrant farm workers. EDA then provided a $54,000 grant to be used for the initial staffing of the CCCDC. A secretary, an executive director, and a business director were hired with these funds. The executive director, Mr. Alfredo Navarro, was a young Chicano with a farm worker background. The original grant was for two years, but EDA has continued to support CCCDC with funding over the past ten years.

During the first winter of the operation of the Cooperativa, funds for classroom training and stipends to cover the living expenses of members of the cooperative were provided by the Manpower Development and Training Act (MDTA) through the U.S. Department of Labor. MDTA also provided money for teachers and for the renting of classroom space. The funding, through the Bureau of Work Training Programs and Operation Mainstream, enabled the Cooperativa and its members to survive during the first winter.

The Cooperativa recognized from the beginning that the growing of zucchini was only a temporary activity. In order to identify the long-range activities that would provide Campesina with the greatest possible stability, the Agricultural Extension Service of the University of California was asked to identify and analyze options and to suggest the crop or crops that the cooperative might produce successfully. The extension agent identified strawberry culture as an optimal activity for the cooperative, subsequently giving significant help to co-op members by providing information about strawberry culture.

During the same period, the board of directors of CCCDC was negotiating with the Office of Economic Opportunity (OEO) to secure venture capital for Campesina. Through the efforts of board members, a $100,000 grant was secured by CCCDC. This money was then loaned to the Cooperativa, and used as equity for a loan secured from Wells Fargo Bank providing the funds needed for renting land and for planting and harvesting the first crop of strawberries. Given the local political atmosphere already described, it is not surprising that the loan was secured from the headquarters of Wells Fargo Bank in San Francisco rather than from a local branch. It is important to note that the loan was secured because one individual in the bank's hierarchy recognized the project's potential in helping the bank meet its moral obligation to aid minorities and the disadvantaged. Although CCCDC might be called lucky to have found such an individual, it did so only through its own hard work and determination to succeed, as several banks had been contacted before results were obtained.

As all this suggests, plans for Cooperativa Campesina were developed and refined as they were implemented. The project was not begun with the clear understanding that land would be rented, strawberries planted and harvested, and cooperative members trained to become independent strawberry producers. Instead, the structure of the project emerged as the possibilities were examined. The initial basis of the planning effort was a commitment to the goals already stated, while its success can be attributed to the willingness and ability of the members of the board of directors to tap a number of resources in order to define their options, keep the program in operation on a temporary basis, and make use of their personal contacts and expertise.

Members of the board of directors feel that the support they secured from the U.S. Department of Labor, the Economic Development Administration, and the Office for Economic Opportunity was crucial. CCCDC could not have brought Cooperativa Campesina through its first winter without the support of all three of these these agencies. It is important to note that the resources which were crucial to the survival of the project were all from the local area.

Ms. Santana's success -- the creation, survival and development of CCCDC during this early planning phase -- provides several important lessons for individuals elsewhere who would promote economic development and the creation of good job opportunities for the rural poor:

(1) With persistence an individual can find other individuals with similar concerns and organize for action.

(2) A planning process over which no individual or small group claims "ownership" but which allows all those involved to help shape programs, thereby feeling ownership of the responsibility for outcomes, can garner support necessary for survival from many sources. In the development of Cooperativa Campesina, not only the members of the board of directors and staff of CCCDC and the members of the cooperative were allowed to feel ownership and responsibility, but also individuals in the Economic Development Administration and Wells Fargo Bank were integrated as well.

(3) Resources from many agencies that ordinarily do not focus their efforts on the problems of the rural poor can be obtained for such efforts if a plan of their use is developed and sufficient time and effort are devoted to securing them.

(4) An individual working for a social service agency can make use of his or her knowledge of programs, individuals, and sources of funds and can initiate the development of a program to help the rural poor.

While plans were being developed, OEO funding was used to continue the classes, enabling the students to continue in training until April, 1970. At that time, the six farm workers and their families put up $500 each to create the initial capital for the Cooperativa.

In the spring of 1970, members of the Cooperativa planted 30 acres of zucchini squash with another 30 acres planted in the fall of 1971. Concurrently, CCCDC received the EDA grant which paid the initial salaries of its professional staff. That staff assisted the Cooperativa in the search for land, in setting up books, in providing training in co-op management, in helping to draft the cooperative's by-laws, and in sponsoring the study which resulted in the identification of strawberries as the optimal crop for the Cooperativa.

Campesina also was aided by two graduate students from the University of California's School of Business who assisted in marketing, cash flow, and feasibility studies. In addition, a farm adviser from the University of California Extension Service helped with the search for land; the Berkeley Law Project and the California Rural Legal Assistance agency provided legal help; other agencies also contributed.

During the winter of 1970-1971, while relying on the production of zucchini squash for some income, the six members of the Campesina were enrolled in classes on cooperative management, funded by Operation Mainstream. Their participation in these classes enabled them to collect stipends of $250 per month each for five months.

In January, 1971, CCCDC rented 120 acres of ranch land. Eighty acres were planted in strawberries by members of the Cooperativa. During the winter, the members of the cooperative and the board of directors of CCCDC sought a bank loan to underwrite the expenses of strawberry production.

In March, 1971, CCCDC received a $100,000 grant from OEO. This grant money was combined with funds from the earlier grant of $54,000 from EDA to supply a minimum line of credit required by the Wells Fargo Bank for its loan to CCCDC. CCCDC then borrowed $173,000 from the bank for Campesina's operations. In the spring of 1971, the Cooperativa was expanded to include 25 members and additional land was obtained for another 40 acres to be planted in strawberries. The Cooperativa, using the bank and OEO funds, spent $75,000 on equipment, $25,000 on land, $44,000 on plants, $50,000 on fumigation ($500 per acre), $20,000 on irrigation pipe, $16,000 on chemicals and miscellaneous, and $34,000 on management and administration.

Based on its success in its first year of strawberry production, Campesina was granted a line of credit for $200,000 by Wells Fargo Bank in 1972. The Cooperativa borrowed $175,000 that year and paid back $173,000. In the following three years, the Cooperativa borrowed and repaid $200,000 each year.

During this developmental stage, Campesina's members were provided with training in strawberry culture, marketing, and co-op management. Much of the training in strawberry culture was provided free of charge by representatives of companies who sell strawberry plants and the fertilizers used in strawberry culture. Additional training has been provided by Extension Service agents.

CETA and its predecessor, MDTA, played no significant role in the planning of the Cooperative; however, these programs have provided needed resources when the CCCDC has identified uses for them. These include training funds for classes for members, and CETA PSE positions to train bookkeepers and other specialists for Cooperativa Campesina and for other cooperatives which have been founded on the basis of Campesina's success.

VII. PROGRAM OUTCOMES

The success of Cooperativa Campesina can be measured by the positive outcomes enjoyed by all those who contributed to its development. The benefits for the members of the Cooperativa and their families have been impressive. Following the squash harvest of 1970, each of 13 participating families got $5,000 in income, a dramatic increase when compared with earlier incomes which averaged approximately $3,000-$4,000 when the members worked as farm workers and migrants. In 1972, workers received the first income from the strawberry crop. Campesina grossed about $680,000; average income was $8,500 per family. Hired farm workers, not members of the cooperative, were paid out of the gross as well. In 1973, Campesina grossed $1.2 million; the average income of member families was $11,000. In 1975, the Cooperative grossed $1.8 million; the average family income was $17,500. Family net income averaged approximately 70 per cent of these figures.

In addition to the earnings of member families, 800 to 1,000 field workers are hired each year by those families during the three-to-four month harvest period. The larger Spanish-American community and the total economy of the area have benefited from the increased wages produced by Cooperativa Campesina.

In 1978, the average income of member families fell to just over $11,000, a decrease in earnings caused by a poor harvest. It is important that the cooperative members have become independent businessmen and have assumed the risks associated with farming. This represents the accomplishment of a major goal. CCCDC regards strawberry culture and farming as a means to an end, not a goal in itself. CCCDC has supported the development of Cooperativa Campesina in order to build the capacity of the individual members and of the Spanish-American community, not to create jobs in agriculture. CCCDC and the Cooperativa have been successful in achieving these broader and more important goals.

Not only have member families made impressive gains in the annual income, but the standard of living of the members has risen appreciably, with those families achieving some degree of stability and a promise of continuing security. They have transcended the transient and often brutal existence of the migratory workers, and now can base personal and financial decisions on stable, new socio-economic relations. Twenty of thirty Campesina families now own homes.

The success of the Cooperativa Campesina has produced positive outcomes for the Spanish-American community as well. Members of the migrant stream and the farm worker population of the area know that it is possible for them to gain economic security and become independent.

Significantly, Campesina's success has enhanced the reputation and institutional strength of CCCDC. Having demonstrated its ability to implement innovative and successful projects, CCCDC has been able to secure additional funding, including CETA Section 303 grants. Several additional cooperatives have been formed, providing economic independence and security for additional families and employment for even larger numbers of farm workers. The model has been used both in the immediate area and in the central valley of California. CCCDC has created an agricultural training center and has relied heavily on CETA funding for both training funds for students and PSE positions for instructors and managers. Campesina's success has enabled CCCDC to continue to develop facilities and programs which seek to make members of the farm worker community independent and economically secure.

Based on the dissatisfaction of members of the board of directors with the performance of other, older social service agencies, CCCDC continues to operate in an independent manner. It makes contacts with other agencies in a utilitarian fashion, seeking what it needs but not relying on others to do what it can do on its own. It continues to believe that its goal of capacity building is not a dominant goal of other social agencies and concludes that it must continue to provide direction and leadership.

Nevertheless, it has been able to develop good working relationships with other agencies and to use the resources of those agencies in a manner benefiting both those agencies and their mutual clients. All participating agencies have achieved positive outcomes. Wells Fargo Bank has not only demonstrated its ethical concern and responsibility but has also developed important services to a client group with which there were few opportunities to interact previously.

Because of the enormous agricultural output of the area before the Cooperativa Campesina was formed, its operation has made no noticeable change in the area's gross output. The same thing could be said for the area's tax base as the achievement of self-sufficiency by 30 families has not made a significant impact in the labor force of 200,000. However, it is crucial to recognize that Cooperativa Campesina's importance and impact lies in its demonstration to both the Spanish-American and the white communities that migrant and seasonal farm workers can become successful, stable, entrepreneurial farmers. The long-run impact of this demonstration cannot be measured or even guessed at this time.

VIII. SUMMARY

Cooperativa Campesina is the first successful agricultural producers' cooperative. It provides a model for programs seeking to help the rural poor achieve economic self-sufficiency in agriculture, and demonstrates the feasibility and value of combining the resources of a number of agencies in the support of a single program.

The members of Campesina relied on another agency -- the Central Coast Counties Development Corporation -- for guidance and funding. CCCDC played the role of intermediary, securing money and services from other agencies for the development and maintenance of Campesina. It is clear that without CCCDC the Cooperativa would not have been formed or would not have survived as an agricultural producers' cooperative. The intermediary provided the key to success.

CCCDC provides some important lessons for individuals and groups who would like to foster economic development and job creation in rural areas. First, an individual can provide the initial impetus to success. Second, with the right tactics, that individual can secure the cooperation of diverse individuals, groups and agencies, many of whom may not share economic development and job creation in rural areas as primary goals. Third, success is likely to require an investment of a very large amount of time and money. Fourth, success may be measured in terms of increased incomes and employment opportunities for program participants, but the implications may be much more profound, involving the evolution of new perceptions and attitudes about jobs, poverty and opportunity in rural areas.

Case Study:
RUSK COUNTY MULTIPLE
PRODUCTS, INC.
NORTHWEST WISCONSIN CONCENTRATED
EMPLOYMENT PROGRAM
Ladysmith, Wisconsin

A NON-PROFIT ENTERPRISE IS ESTABLISHED TO PROVIDE JOBS AND INCOME FOR THE "NON-COMPETITIVE WORKER" IN RURAL WISCONSIN. CETA TRAINING RESULTED IN A SUCCESSFUL INDUSTRY PRODUCING WOOD PRODUCTS. "NON-COMPETITIVE" OR HANDICAPPED WORKERS NOW HAVE THE OPPORTUNITY TO SHARE IN THIS NEW VENTURE AND BECOME A VITAL PART OF THE COMMUNITY THAT PREVIOUSLY HAD NO JOBS FOR THEM.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Rusk County Multiple Products, Inc., is a private nonprofit enterprise designed for the production of excess work from private manufacturers and government operations. It was created to serve the non-competitive worker with employment training and is as much a program for these individuals as it is an industry. Under a current sub-contract with Nu-Line Industries, a manufacturer of children's furniture, Multiple Products is making wooden toy chests and other wood pieces for furniture assembly.

Approximately seven years ago, a local Job Service representative, Mr. Bob Matlack, observed an increasing number of individuals with significant employment barriers who were unable to compete in the local labor market. He discussed the need for an employment setting with Mr. H.J. (Jim) Cleary, the president of the Ladysmith Industrial Development Corporation, who promoted the idea of an industry to employ such individuals.

Multiple Products became a part of an over-all local industrial development plan in Ladysmith, situated in what is known as the Old Industrial Park, a 28-acre site. In 1967, largely through the efforts of Mr. Cleary, steps were taken by the Industrial Development Corporation to preserve and expand local resources and to attract more industry to the area. A new 100-acre industrial park is now in the final stages of completion with one new industry already located there.

Multiple Products began operation in October, 1976, with a goal to be self-sufficient within five years. After three years, it is already 72 per cent self-sufficient. Self-sufficiency is defined as the ability of Rusk County Multiple Products independently to provide, from its sales, the expenses of its operation, administrative staff, the expansion of the plant operations, and the broadening of the scope of the program to include training and employment of the handicapped, the economically disadvantaged, and the youth of the community.

The project's funding resources were the City of Ladysmith, Rusk County, Farmers Home Administration, Small Business Administration, Upper Great Lakes Regional Planning Commission, and the Governor's Employment and Training Office as well as Northwest CEP Prime Sponsor, Division of Health and Social Services, and Division of Vocational Rehabilitation, which provided added support for employee participant wages, fringe, and services.

B. Relevance to Other Area Economic Development

Rusk County Multiple Products is one of several relatively small industries in Ladysmith and employs from 12 to 20 individuals.

In 1967, there was only one major industry, a paper mill, operating in Ladysmith. When the depressed economy influenced the paper industry, there was an immediate impact on the community, but through the efforts of the Ladysmith Industrial Development Corporation, a number of industries, employing an average of 20 to 80 individuals each, moved into the area: Needlecraft Corporation (industrialized sewing), B.J. Wood Products, Conwed Industries (wood products), Fiber Strong (fiberglass products), Safe-Lite (road sign products), Zich's Beer Distributorship, and Prestige Casket Company. In addition, the corporation has assisted Balko Trailer and Mastercraft Casket companies to expand as well as renovating old company sites to attract new industry. One of the more recent efforts has been the installation of a National Guard Unit in Ladysmith, complete with a new building and an estimated income of $200,000 to $300,000 into the community per year.

The paper company, now Brown Paper Company, is still one of the largest employers (175) in Ladysmith, although within the larger area there is also a window company in Weathershield employing 325 persons and another manufacturer of doors and windows, Norco, located in Rusk County approximately 20 miles from Ladysmith employing an estimated 425 individuals.

C. This Project and the Five M's

Money and materials for Rusk Multiple Products, Inc. were obtained from a number of sources. The City of Ladysmith provided the land as part of the development of the Old Industrial Park. A grant from the Farmers Home Administration provided $47,200 for the building, and the Upper Great Lakes Regional Planning Commission provided $15,800, an amount matched by Rusk County, for worksite development. The Small Business Administration made a $100,000 loan available for major equipment. Since the initial development, Multiple Products has also received a loan from the local Pioneer National Bank for additional equipment.

The administrative support was provided through a grant through the State Employment and Training Office from the Governor's CETA Special Grant. In three years of operation, this has amounted to $130,930 and ranged from one and a half positions the first year to four positions the third year. This funding also obtained space and some office equipment.

The workforce, or manpower, was provided through the support of cooperating agencies and has included employee participant wages, fringe, and services from Northwest CEP Prime Sponsor, Division of Social Services, and the Division of Vocational Rehabilitation.

The market was provided through a contract with Nu-Line Industries, a Division of Memline Corporation in Suring, Wisconsin, located in the northeastern part of the state. In the early development of Multiple Products, it was not anticipated that such a large contract would be obtained, so alternate plans were to obtain three small contracts with area industries. The contract with Nu-Line, in the amount of $62,000, was larger than expected and provided more employment, but also required the full capacity of the building. Thus the three small contracts were not pursued.

D. Preliminary Assessment of Success

Rusk County Multiple Products gives every indication of success in achieving its goal of 100 per cent self-sufficiency at the end of five years, by easily reaching 72 per cent self-sufficiency in its third year of operation. The project has served a total of 81 individuals with about 60 terminations and a placement rate averaging between 20 per cent and 30 per cent. Approximately 65 per cent of the placements were in factory or wood products/construction settings, with three individuals being absorbed thus far by Multiple Products. Currently, plans for expansion are under way to serve more individuals in wheelchairs by placing them in production jobs making small electrical parts.

E. Summary of Difficulties or Advantages in Project Development

The project seems distinguished in the relatively few difficulties it has had to overcome from original design to operation. The strong leadership and direction provided by Mr. Cleary is evident throughout and underlies the project's success. His working knowledge of agency resources, business and industry development and management, technical skills in engineering and construction, and strong community rapport and leadership provided the stability and support that enabled Rusk County Multiple Products, Inc., to become established.

Mr. Cleary did encounter some obstacles in funding when he first used the word "handicapped" in describing those the project would serve. While the intent was to serve individuals with a wide range of employment barriers (ex-offenders, recovering alcoholics, economically disadvantaged, and welfare recipients, as well as physically and mentally handicapped), Mr. Cleary first focused attention, inadvertently, on the word "handicapped." The unfortunate result was the impression of clouded purpose it gave the project in reference to sheltered workshops and other available funding resources for the handicapped, as shown by the common "duplication-of-effort" reply that he met. When he eventually used the term "non-competitive worker" to describe the motivation and intent of the project, there was no difficulty in obtaining the needed funds; however, this one obstacle meant essentially a three-year delay in the development of Multiple Products.

Besides this early problem, the project has encountered few delays in funding resources, production, or operation. The amount of paperwork and time involved for processing required considerable patience but in essence was procedural in nature and could be handled smoothly.

The Governor's CETA Special Grant funding terminated in September, 1979, after three years and according to guidelines. The local four-year private school, Mount Scenario College, was awarded a 4 per cent grant to pilot a computer-based learning system (Programmed Logic for Automated Teaching Operation -- PLATO) in conjunction with the Fair Chance Program targeted toward the employees at Multiple Products. This provided program participants with basic general education and remedial help in reading skills that increased their general knowledge and level of productivity in the employment arena.

F. Overview of Case Study to Follow

The study that follows will describe the geographic area in which Rusk County Multiple Products, Inc., is located, provide background on the people who live and work there, relate Rusk County's economy to the state of Wisconsin, describe the planning and implementation activities of the agencies and individuals involved in generating the new jobs, explain the role of CETA in this rural economic development project, and show the outcomes of these efforts.

II. GENERAL BACKGROUND

The Ladysmith Industrial Development Corporation was formed in 1958 as a stock issuing corporation. In 1967, it was reorganized as a non-profit corporation and financed through shares of stock and interest-bearing debentures, allowing capital to generate for assistance to industries, one of which was Rusk County Multiple Products.

Once the term "non-competive worker" was utilized, funding sources were obtained. The task force contacted the Northwest Regional Planning Commission which donated staff time to devise the master plan, prepare the total package, and direct applications to appropriate funding resources.

A non-profit organization was necessary for the Farmers Home Administration grant for the building. The City of Ladysmith essentially donated the site to Rusk County, which in turn set up the non-profit group and issued a 99-year lease to Multiple Products. This procedure was necessary in the event that Multiple Products failed and another non-profit group did not use the premises. In this situation the county would be held responsible for repayment of the grant to Farmers Home Administration. Mr. Cleary felt that the Farmers Home Administration was very thorough and highly exhaustive in its request for information and that the funding process was inordinately slow and frustrating. However, his advice to others was, "Don't give up."

Mr. Cleary's previous knowledge and experience with the Small Business Administration through the Industrial Development Corporation aided in acquiring the loan for the equipment.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Rusk County is located in Northwest Wisconsin in the Chippewa and Flambeau River Valleys, approximately 130 miles from Minneapolis-St. Paul. The population of the county was 14,721 in 1978, representing a growth of 3.6 per cent since 1970 as compared to the state rate of just below 1 per cent. The one major city in Rusk Coutny is Ladysmith, located on the Flambeau River. The Ladysmith population was 3,500 in 1970, and is estimated by residents to have grown at a rate close to 20 per cent since that time.

The county is rural with one-third of the approximately 860 square miles farmland and two-thirds forestland. There are abundant water areas, with nearly 60 lakes and 141 miles of fishing streams, typical of the counties in northern Wisconsin.

The regional economy is primarily farming, manufacturing, and tourism. The labor force numbers 7,100 with the largest employers in manufacturing, wholesale and retail trade, and services, followed by electronic services, finance including insurance and real estate, and construction.

Occupation statistics indicate that service workers, craftsmen and kindred workers, operatives, and farmers and farm managers are the most prevalent at relatively equivalent levels of 12 per cent and 13 per cent, with clerical and professional/technical workers following close behind.

The county is served by the Indianhead Vocational Technical and Adult Education School with campuses in four locations in the northwest area, the University of Wisconsin campus in Eau Claire, 64 miles from Ladysmith, and the UW Extension Program. Ladysmith also houses a four-year private school, Mount Scenario College, a nine-building high school complex, and Rusk County Memorial Hospital.

The population is predominantly white. The largest minority group, American Indian, is at less than half of one per cent.

The unemployment rate reflects the millwork and tourism industry in seasonal swings. The annual county average unemployment rate in 1978 was 7.8 per cent, with summer unemployment generally dipping to near 5 per cent. The winter unemployment rate in 1978 for the state was an estimated 4.5 per cent with summer and winter swings impacting slightly.

The average county per capita income is $4,443, 63 per cent of the national average. Wisconsin as a whole is at 98 per cent of the national average. The average weekly wage for persons employed in Rusk County in 1978 was $161.59 compared to $236.34 in Wisconsin as a whole.

Based on adjusted 1960-1970 census figures, an estimated 22 per cent of the population has an education level beyond high school.

The characteristics of the unemployed, according to 1977 statistics, indicate that 57.6 per cent were men, 42.4 per cent were women, 3.6 per cent were handicapped, 19.1 per cent were economically disadvantaged, 6.8 per cent were WIN recipients, 5.2 per cent AFDC recipients and 17.7 per cent veterans. Approximately 48.2 per cent had an education level of grade 12 and 36.5 per cent were between the ages of 25 and 44. Ages 16-18 represented 7 per cent of the unemployed, and ages 22-24 represented 14.5 per cent. The occupations of the unemployed indicated that most were in miscellaneous categories such as packaging, motor freight, and transportation, 21 per cent; clerical and sales, 18 per cent; structural workers, 13.5 per cent; and service workers, 13 per cent.

September, 1978, figures indicate approximately the same number of men and women between the ages of 16-21 seeking employment, shifting notably in ages of 22-44 where more men are unemployed, and swinging back for ages 45 and older where again approximately the same number of men and women are looking for work.

IV. PLANNING PHASE

Mr. Bob Matlack, Ms. Mary Jo Domancett and Mr. Cleary, of the local job service made up the initial task force. The concern presented to Mr. Cleary had three facets: First, there were a number of individuals in the community with significant employment barriers who could not compete in the local labor market; second, a number of programs were available to provide training, but there were no work settings appropriate to skill level in which to train these individuals; and third, without training, there were few jobs appropriate to skill level available to them.

Mr. Cleary supported the idea. He thought the task force could identify at least 125 individuals in the area who could benefit from such an enterprise, but could not understand or appreciate why funding was so difficult to find. Any number of

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agencies were contacted, including those which eventually did become funding resources for this project, but it was not until he began using the term "non-competitive worker" that any progress at all was made.

The task force contacted the Northwest Regional Planning Commission, located approximately 40 miles from Ladysmith, for assistance. It was through the help of this agency that the project actually started moving. This was also the time that Mr. Marvin Hanson, the Rusk County Board chairman, joined the task force as the fourth member.

The Northwest Regional Planning Commission prepared the master plan and total package for the Farmers Home Administration to obtain the $47,200 grant for the building for Multiple Products. The commission staff also contacted the Upper Great Lakes Regional Planning Commission, serving a region of northern counties in Wisconsin, Minnesota, and Michigan, as a resource to Rusk County for matching funds. Each provided $15,800 for site development.

The site was donated to Rusk County by the City of Ladysmith. The grant from Farmers Home Administration was made to the non-profit organization and required no repayment as long as the premises remained non-profit, while the construction of the building and installation of heating and plumbing were contracted. The loan from the Small Business Administration of $100,000 for equipment was made to Multiple Products. A more recent additional loan from the local Pioneer National Bank was obtained for equipment when Multiple Products started production of groove bar moldings. Equipment purchased was government surplus.

The three-year contract signed with Nu-Line Industries was in the amount of $62,000 and is subject to annual renegotiation. Nu-Line Industries is located in the northeastern part of Wisconsin and manufactures wood products for children and pets. Multiple Products' contract with Nu-Line includes the production of 2,000 toy chests per month, cutting the backs of potty chairs, and more recently, production in wood groove bar moldings for Nu-Line assembly. A grant from the Governor's 4 per cent funding was obtained for administration to pay a general manager and a part-time secretary. The grant was initiated in October, 1976, in the amount of $23,090. Additional 4 per cent funding in 1977 of $47,768 included three staff, and in 1978, $60,072 included four staff. Space and some office equipment were also included in this funding.

Letters of endorsement for the project were offered by cooperating agencies and included Northwest CEP Prime Sponsor, the Indianhead Community Action Program, Division of Health and Social Services, Division of Vocational Rehabilitation, and Camp Flambeau Correctional Institute. All of these agencies have referred individuals to Multiple Products for employment skills training.

Technical assistance and services provided to Multiple Products have come from a wide range of sources, leaving no question concerning community support for the project. The Indianhead Vocational Technical and Adult Education School in nearby Rice Lake provided a safety program, paint gauge specifications and hanger designs for the paint room, as well as an analysis of production flow and quality control. Conwed Industries provided the paneling for the room dividers, with construction of these by Green Thumb workers. Norco donated the windows and woodwork for the building; the University of Wisconsin Extension program prepared the financial statements until a secretary was hired; and a local attorney provided consultant services. Additional assistance was provided by the Wisconsin Department of Business Development, OSHA, and a number of other local industries whose services ranged from use of equipment to acting as co-signators on a loan.

The eleven-member board is primarily represented by area businessmen but also includes several school officials, a county elected official, and a local minister.

The master plan included establishment of a planning task force, preparation of a preliminary project prospectus and a master phasing plan that included a market survey, a labor force survey, and a literature search (identifying/investigating similar operations); obtaining endorsements from the City of Ladysmith, Rusk County, the Ladysmith Industrial Development Corporation, and area cooperating agencies; identification of markets; identification of the final site through a building survey; development of the management organization and board; acquisition of non-profit status; obtaining the building and equipment grant or loan; and building construction; machinery purchase; personnel (hiring); and recruitment of employees.

V. PROGRAM DESCRIPTION

Multiple Products serves those persons who can be termed "non-competitive workers," this designation referring to individuals with a wide range of employment barriers, such as: high school dropout, recovered alcholic, ex-offender, physically and mentally handicapped, welfare recipient, economically disadvantaged, and low skill. Few have been turned away from the program, although the work is not appropriate for the severely handicappped.

Although the atmosphere is low-stress and teamwork is emphasized, the structure and appearance of the work situation mirrors a realistic factory similar to one in which many program participants will eventually find employment. Individuals apply as they would to any job and are given every chance to succeed. Multiple Products works with and counsels individuals who have had problems with absenteeism and tardiness. To the worker, it is a chance not only to learn a skill, but also to develop good work habits, build self-confidence, or quietly pick up the pieces and start again.

The production of the toy chests includes everything from ordering the materials to packaging and trucking the shipment to Suring, Wisconsin. The 6,500 square-foot building, however, has little room to spare and does not allow for production of the toy chests and groove bar moldings at the same time; thus, production of both items must be alternated and coordinated.

Wages, fringe, and services for the workers are primarily paid by CETA through the Northwest CEP Prime Sponsor and by the Division of Health and Social Services for AFDC/WIN recipients, but Multiple Products recently instituted the Food Fare Program with Social Services as well. The Division of Vocational Rehabilitation, Indianhead Community Action Program, and Flambeau Correctional Institute also make regular referrals. It is not unusual to see counselors from the respective programs on-site talking with the workers.

Title II and VI funds are primarily used for the CETA workers with the pay scale starting at Federal minimum wage. The payroll for Multiple Products is approximately $10,000 per month.

VI. IMPLEMENTATION PHASE

The Special Grant funding for staff in administration began in October, 1976. The construction of the building began in June, 1977, and was completed in the late fall. The contract with Nu-Line Industries was signed in August, 1977, and the first employees of the plant were hired in late August. Amid the rather chaotic atmosphere of finishing the wiring and plumbing, workers quicky began to cut the backs of the potty chairs, sometimes borrowing electricity from a neighboring industry.

Production of the toy chests began in January, 1978, but it was June before Multiple Products was operating at full capacity and making shipments of 2,000 chests per month. By fall, however Nu-Line no longer had the orders for the chests because of the lag in start-up, and production of toy chests had to halt. Multiple Products had already begun to seek other contract possibilities when it acquired the work for the groove bar moldings from Nu-Line. Since the new product required addiitional equipment, a loan had to be obtained from the local bank. Multiple Products also purchased a 3/4-ton truck and 40 foot trailer to make the shipments to Nu-Line.

Staff turnover has been minimal. The current general manager, Mrs. Agnes Pratt, actually started with Multiple Products as the secretary.

Referrals to the program from cooperating agencies have been consistent, allowing full production that now includes orders for the toy chests and wood moldings as well as for the backs of the potty chairs.

VII. PROGRAM OUTCOMES

A total of 81 individuals have been served by Multiple Products in 24 months of production. The program employs from 12 to 20 individuals, and it is hoped that the training provided will facilitate placement into other local factory settings. There have been 17 placements from the program, three being absorbed directly by Multiple Products in the capacities of generral supervisor and two section supervisors. The overall placement rate of Multiple Products ranges between 20 per cent and 30 per cent.

An analysis of the placements indicates that 65 per cent of the individuals were placed in other factory or wood products/construction settings with 41 per cent in the latter. A total of 52 per cent of the individuals were still employed after six months, and 41 per cent were still employed after 12 months. The wages at placement indicate 65 per cent were placed at wages above minimum, and 41 per cent were placed at wages of $3.25 or above.

Lack of transportation has been a problem for employed individuals and has contributed to absenteeism, tardiness, and turnover. The Indianhead Community Action Program recently began providing bus service to the rural areas, and it is anticipated that this will resolve the major problems.

The program is 72 per cent self-sufficient, requiring only $30,000 in administrative funding for Fiscal 1980.

VIII. SUMMARY

Rusk County Multiple Products has experienced considerable success in its three years of operation with no major obstacles other than those that can be considered normal in the adjustment process of learning to operate a new manufacturing plant. The project is 72 per cent self-sufficient at the end of three years with a goal to become 100 per cent self-sufficient at the end of five years. Self-sufficiency in this case is defined as the ability of Rusk County Multiple Products independently to cover, from its sales, the expenses of its operations, administrative staff, expansion of the plant operations, and development of the program to train and employ the handicpapped, economically disadvantaged and youth of the community.

Multiple Products plans to continue subsidized employment and training activities indefinitely. The project was not meant as a private profit-making business venture but rather a vehicle to help the disadvantaged population attain self-sufficiency and improved self-worth. Any profits realized will be invested back into the enterprise.

Recent changes in the program include a linking with the local private school, Mount Scenario College, to provide generalized basic education and training to the workers via a computerized learning system (Programmed Logic for Automated Teaching Operation -- PLATO) within the concept of the Fair Chance Program. Classroom training has not been a part of the program thus far, but it is anticipated that a more comprehensive approach will eventually be implemented.

Multiple Products is considering expansion to serve more individuals in wheelchairs by placing them in the production of electrical parts. This objective was not met in 1979 because other production completely occupied the available space. It appears that diversified products will require a building expansion. The added production in wood moldings has generated approximately $30,000-$40,000 of additional income per year.

After seven years, with the profits obtained, Rusk County Multiple Products plans to build a center for youths. The concept and operations will remain the same as Multiple Products; however, the youths will design the production process and work. The purpose of this phase will be to provide youths of the county the opportunity to think for themselves and to learn from their mistakes in a setting that will prepare them to compete in private industry.

The establishment of Rusk County Multiple Products, Inc., included a total of $1,101,890 in funding, including $47,200 in a grant for the building, $31,600 in matching funds for site development, $100.000 as a loan for the equipment, and $23,090 in grants for administration. The initial contract for production was $62,000. The wages, fringe, and services to the employees of the project have been provided by cooperating agencies primarily through CETA and Social Services resources. The project also benefited from unanimous community support by receiving technical assistance, services, and donations.

Case Study:
FARM WORKERS/SMALL FARMERS TRAINING PROGRAM
CONSORTIUM FOR THE DEVELOPMENT OF THE RURAL SOUTHEAST
Epes, Alabama

THROUGH THE EFFORTS OF THE CONSORTIUM FOR THE DEVELOPMENT OF THE RURAL SOUTHEAST, SMALL FARMERS WHO COULD NOT COMPETE SUCCESSFULLY WITH AGRI-BUSINESS CONCERNS IN THEIR RURAL AREA HAVE BEEN TRAINED IN THE LATEST TECHNICAL AND MARKETING METHODS OF FARMING SMALL ACREAGES. THEY HAVE BEEN ABLE TO BEGIN A FEEDER PIG PROJECT THAT PROMISES TO PROVIDE A GOOD ALTERNATIVE TO THE RAISING OF FOOD CROPS. THE FARMERS HAVE BEEN SUPERVISED CAREFULLY BY AGRICULTURAL SPECIALISTS AND ARE BECOMING KNOWLEDGEABLE AND SUCCESSFUL SMALL BUSINESSMEN WHILE MAINTAINING THEIR RURAL LIFESTYLE.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Between 1969 and 1974, the total number of farms in Sumter and Greene counties, Alabama, diminished by more than one-third. Total acreage, however, decreased by slightly more than 10 per cent. This statistic has been repeated throughout the nation as small, marginal farming enterprises have been adandoned when they lost economic feasibility. The survival of the small farmer who is tied to the land and a special lifestyle is dependent on the improved efficiency that comes through improved farming techniques.

Through a special CETA grant for farm workers, the Consortium for the Development of the Rural Southeast will be able to train approximately 500 subsistence farmers and farm workers so that they may increase their earnings along with their productivity. This program will stabilize an occupation that has undergone drastic changes since the advent of mechanization and, subsequently, agribusiness. It is an occupation whose productivity is basic to a strong economy -- that is, the growth of food and essential raw materials.

B. Relevance to Other Area Economic Development

The training program in Sumter and Greene Counties is similar to programs that are operating concurrently in six other southeastern states. In each case, the goal is the same: to raise farm incomes through improved farm management and production methodology and to increase production impacts on marketing and distribution facilities. As farming becomes a more substantive economic venture, farmers have an increased demand for needed supplies, equipment, services and capital.

C. This Project and the Five M's

In this instance, CETA was the source of many of the basic ingredients needed for a successful economic venture. For example, CETA allowances to the participants provided the money for venture capital. Over a 15-month training period, allowances will total $429,353 going to approximately 500 participants who are encouraged to use their allowances to provide the construction materials needed for the feeder pig project, and the seed, fertilizer, and equipment needed for the agricultural produce project.

Since the participants were already small farmers, most of them already owned land, some in parcels as small as four acres. (A football field is a little more than one acre.) Others needed assistance in assessing land for farming. Heifer Project International provided 74 participants with swine units consisting of five gilts and one boar, each of these units valued at more than $1,100. The offspring are to provide swine for additional participants.

The participants were an enthusiastic source of manpower. Accustomed to the rigors of farming that did not always yield satisfactory results, these farmers were greatly encouraged by the knowledge acquired in the classroom and the coaching and supervision from the rural extension specialist who monitored their progress and offered continuous technical assistance.

The market, which is beyond the influence of CETA resources, has been crucial to the success of this program. A long-standing problem with all forms of agricultural production is projecting the market. It requires six months to grow feeder pigs for the market. The market for hogs is cyclical with prices rising and falling with supply and demand. Three months into the breeding program is too late to reverse a decision to raise pigs if the the product is in surplus; therefore, the farmer is forced to sell at lower prices. Likewise, agricultural products are perishable and must either be sold to a processor for canning or freezing or be moved quickly through a retail distributor. Marketing becomes a matter of projecting what the supply and demand will be at a specific future time for a particular product. It involves the problem of transporting the product in a timely fashion and having a buyer ready.

D. Preliminary Assessment of Success

It usually takes over a year for either an agricultural or livestock operation to show a profit; therefore, success of this project must be measured at this time in terms of achievement of intermediate objectives. There have been several measurable consequences of the training program that have implications for the economy:

- Approximately 30 trainees have already been approved for Farmers Home Administration loans that total more than $100,000. These loans will provide additional operating capital. Many more loans are still pending and are likely to be approved. This came as a consequence of the training that showed small farmers how to access FmHA and other money lending institutions.
- Use of improved technology has improved crop yields. The first litters of pigs are averaging twice normal size, and the agricultural produce was much greater this past harvest.
- There is now much more land under cultivation.

- Participants in this program are less dependent upon outsiders for needed equipment and supplies. By working cooperatively together they can purchase equipment and share it.

These objectives are milestones that should lead to a $1,000 to $2,500 annual increase in net income from farming.

E. Summary of Difficulties or Advantages in Project Development

The primary advantage of this project over other examples of CETA coordination with economic development is that it builds upon an existing resource -- small farmers and farm workers. This is a rare application of CETA funds to provide the missing elements of economic development by improving the capability of the manpower through training, while at the same time making available a supplemental income. CETA has been combined with local resources to meet two of the most essential elements of economic development -- manpower and money. In addition, CETA has provided the management expertise needed to develop and maintain cooperative relationships that further the productivity of the farming enterprises.

On the other hand, by working with farmers to upgrade their skills and productivity, this project encounters one of its major problems. This is the problem of changing old methods and adjusting to new ways that are contradictory to traditional ones. Producing for home consumption is much different from commercial production. Issues of quality control, record keeping and gauging the market are introduced. However, this adjustment to a different goal is eased as the first crops or litters of pigs are produced. It is then that the new methods demonstrate their worth, and the participant farmers become local advocates of the new methods. To demonstrate the value of the new procedures, the participants are encouraged to continue their old ways of farming to some extent, so that the results can be compared with those of the new methods.

F. Overview of Case Study to Follow

This case study describes one of the five projects that is operated by the Consortium for the Development of the Rural Southeast, located in Greene and Sumter counties in western Alabama. A description of this area provides the background of the people who are the participants in this particular project; how they benefit personally from this project, and how the economy of Greene and Sumter counties is affected. However, the role of CETA will be similar in each of the five projects, although the impact on the economy and on the individuals will no doubt vary as a function of the differences in the environment. Some highlights of the other four projects will be included in this study where appropriate.

II. GENERAL BACKGROUND

In March, 1978, three organizations combined their resources to form a consortium. The organizations are the Federation of Southern Cooperatives, the Emergency Land Fund, and the Southern Cooperatives Development Fund. The consortium is known as the Consortium for the Development of the Rural Southeast. It was hoped that by combining their resources, a more advantageous use could be made of them to further the development of rural areas in the South. Each organization, and, therefore, the Consortium, is equally committed to a philosophy of service to depressed rural areas and disadvantaged persons.

There are many approaches to meeting the variety of needs of depressed rural areas. One of the primary concerns of the Consortium is the plight of the small, marginal farmer or dispossessed tenant farmer whose livelihood depended upon an agrarian economy. Mechanization of farming, plus the introduction of agribusiness, where farming corporations are in competition, have placed the small, undercapitalized farmer at a critical disadvantage.

One of the aims of the Consortium is to provide to farmers other occupational options or training in order to farm more successfully and more competitively.

To further these aims, the Consortium applied for and received CETA, Title III, Section 303, Economic Stimulus Program funds. Some of these monies supported a training program for farmers to enable them to increase their productivity. These funds were subcontracted through the Federation of Southern Cooperatives (FSC).

It is the aim of FSC in its training program to improve both the management capability and the actual farming expertise of its participants. In addition, it was to encourage them to form cooperatives so that they could share equipment and increase both their purchasing power for raw materials and the marketing capability for their products. FSC has an established history of providing technical assistance and other support for cooperatives, some of the assistance taking the form of legal aid, management consultation, assistance in securing loans and training. An outgrowth of the civil rights movement in the mid-1960's, FSC evolved to meet the needs of cooperatives that were forming in the rural South to pursue economic objectives. The 15-month training program funded through CETA provided the wherewithal to further these objectives.

III. SOCIAL/CULTURAL ENVIRONMENT OF THE PROGRAM AREA

Sumter and Greene counties cover a total area of 1,542 square miles, and their combined population is 27,624, with Sumter representing approximately 60 per cent of the total. In these two counties there are approximately 18 persons per square mile, making them the second most sparsely populated areas in the State of Alabama. Out of a total of 67 counties in the state, Sumter and Greene are rated sixty-fourth and sixty-sixth, respectively, in income. This means that in 1976, per capita income was between $3,300 and $3,400 per year. Population is predominantly black. The unemployment rate is 8.3 per cent in Greene County and 5.3 per cent for Sumter County.

Greene and Sumter counties are contiguous, with Sumter County bordering on Mississippi and Greene bordering to the north on Tuscaloosa County, which has the closest large city, Tuscaloosa. Both counties are farming communities. Sumter County contains two towns, both with a population of less than 5,000. Livingston, which boasts a small university (Livingston University), is in the center of the county; York is located approximately 20 miles to the southwest. Greene County contains only one small town, Eutaw, which is approximately 25 miles southwest of Tuscaloosa.

Neither county is served by a community action agency or other community-based organization and neither contains a vocational education institution for adults. The Alabama State Department of Pensions and Securities is the provider of public assistance payments for the indigent, and the state health department provides limited medical screening and some health services.

The labor force is dominated by government workers (primarily public schools), and farming and manufacturing. There were 1,100 farms in the two-county area in 1974, 30 per cent fewer farms than in 1969. However, total acreage in farming diminished by only slightly less than 11 per cent during the same period, suggesting that many small farms are being purchased and absorbed into larger farms.

Manufacturing is dominated by the lumber industry which employs the greatest number of individuals in the two-county area. Other major employers, however, are the commercial printing firm located in York, which employs more than 200 people, and a garment manufacturing firm that also employs over 200 people.

Retail and wholesale trade account for the balance of employed persons in this rural community. In both counties the median number of school years completed is slightly over eight years, and 5 to 7 per cent of the population has a college education. Slightly over 53 per cent of the people in Greene County have incomes low enough to place them below poverty level. Fifteen per cent of the population receives public assistance. In Sumter County, 45 per cent of the population has incomes that place them below poverty level, and 13 per cent of the population receives some form of public assistance.

IV. PLANNING PHASE

Early in the Federation's history, requests came from the membership for agricultural training. It was apparent to the members that farming would not remain a viable enterprise unless the farmer had training in the use of pesticides, chemical fertilizers and new planting and harvesting techniques. The Federation had its first chance to respond to these requests when the Department of Health, Education and Welfare solicited proposals for innovative education projects. It was from the Fund for Improvement of Post-Secondary Education that the Federation was able to implement its first agricultural training program for farmers. With the benefit of the HEW funds, the Federation developed a prototype for a training program and was able to train 150 farmers at three different sites. Much of this money went for the development of the materials and the processes that would be used in this rather unusual training. The funds did not carry with them any subsidies to the farmers who were taking part in the program, and this was regarded as a fault in the HEW project.

The success of this initial project, however, encouraged the Federation to seek CETA money that could provide stipends or allowances for participants which would provide trainees with operating capital while supporting the educational process. The State of Florida, with CETA Title I, Title II, and Governor's discretionary money, was willing to fund a similar training program for small farmers in Florida. This was the first time that the training model was supported by CETA money. The success of the project resulted in its being spun off to the Florida State Association of Cooperatives in 1978.

It was also in 1978 that the Consortium was formed with the expressed purpose of submitting an application to the Office of National Programs of the Department of Labor, for funds to expand the program offerings to other groups. The awarding of Title III, Section 303 funds for farm workers to the Consortium was a result of the Department of Labor's interest in using CETA funds to promote economic development among migrant and seasonal farm workers. Also, of particular interest to the Department of Labor was the collaboration among three separate entities, the Federation of Southern Cooperatives, the Emergency Land Fund, and the Southern Cooperative Development Fund. By working through the Consortium, the Department of Labor was able to fund ten training sites with one negotiation and one administrative procedure. By this action, Labor hoped to further greater coordination among service delivery agencies.

In planning the project, it was decided that the prototype established under the HEW grant would be used but with adjustments to accommodate new developments in farming techniques. To update the curriculum and instructional materials, the Consortium staff formed what is now known as the Agricultural Resource Instruction Team (ARIT). ARIT formed a resource center that aided in the fine tuning of the basic model that was to be used for training.

In selecting cooperatives to participate in this training, FSC had to identify those member cooperatives that were located in areas where there was a substantial number of farm workers who would meet the Department of Labor definition of farm worker. This factor influenced the selection of the sites where the program would operate.

Once the locations of the projects were determined, it was necessary to examine the agricultural products that could be grown in those areas and compare them with marketing conditions. ARIT used U.S. Department of Agriculture reports on marketing conditions and established an information service that continued to monitor the agricultural market and feed back information to the classroom training component. Consideration also had to be given to products that could be grown with a minimum of capital outlay, manpower and land. In other words, the training effort would have to match, in the most realistic fashion, the resources available to the trainees and result in marketable products.

The Federation of Southern Cooperatives had a lengthy history of experience with the client group and was aware of its needs and capabilities. The Consortium's ARIT was able to provide the marketing information. FSC has long been a developer of resources for similar groups and was aware of characteristics of the farm workers to be trained. The target group was to be farm workers and small farmers who are generally employed at unskilled labor on the larger farms. Frequently, they own small plots of land that have been in the family for generations. Most of the farmers were over 55 years of age, and many of them did not have a high school education. All of these factors were considered in the planning of the agricultural project:

- needs and abilities of the trainees,
- market conditions for agricultural products,
- local conditions that influence farming,
- quantity and quality of resources available to the trainees that can be used for farming,
- training experience.

V. PROGRAM DESCRIPTION

The Consortium's agricultural program currently serves participants located in the following areas: Alabama -- Greene and Sumter Counties (50 participants); East Georgia Farmers Cooperative -- Burke and Jefferson Counties (35 participants); West Georgia Farmers Cooperative -- Harris and Talbot Counties (20 participants); Basic Cooperative of Hayti, Missouri -- Pemiscot, New Madrid, Dunklin, Essex Counties (35 participants); South Carolina Sea Island Small Farmers Cooperative -- Alston County (45 participants); BEAT 4 Cooperative, Mashulaville, Mississippi, Noxubeee County (40 participants).

Some of the participants of the cooperatives were involved in agricultural production; others were involved in the feeder pig project, and in some instances, participants were involved in both. The agriculture projects varied according to the crops that could be grown best in the various areas. For instance, the Sea Islands Cooperative in South Carolina concentrated on growing and selling tomatoes, cucumbers, cabbage, string beans, and squash. FSC provided technical assistance to the cooperative that included, in addition to the training, the installation of a grading machine for the tomatoes. FSC also improved the marketing and distribution process and was instrumental in helping the cooperative obtain a $53,000 loan.

In Alabama, the training concentrated on truck farming to produce fresh vegetables for local markets. The training included classroom workshops, on-the-farm visits by the agriculture extension specialist, group tours, demonstrations and slide presentations. The entire training operation pivots on the skills and industry of FSC's extension specialist. This is the person with the expertise in farming who works very closely, many times on a one-to-one basis, with the farmer. The subjects covered by the training program include the following:

Soil Sampling/Soil Education
Farm Chemicals Application
Fertilizer Application
Weed/Insect Pest Control
Seed and Plant Selection
Farm Record Keeping
Enterprise Budgets
Cooperative Education
Farm Credit Application
Land Retention
USDA and Other Government Services
Services and Programs for Farmers and Farm Workers
Vegetable and Livestock Marketing
Conservation
Legal Training

For those participants who are involved in the feeder pig project, classroom training covers:

Swine Herd Management
Low-Income Swine Facility Construction
Swine Health and Nutrition

The length of training averages 15 months. The participants are reimbursed for their training time at the rate of $2.90 an hour. They are encouraged to use these allowances to purchase the needed supplies and materials that are required to carry out the farming projects. The training program, then, is a combination of classroom training and work experience. In both cases, the individual attention by the extension specialist reinforces learning and assures that learning is transferred to the back-home situation. Frequently, the spouses of the participants get involved in the training and become as adept as the participants. This is valuable since farming is frequently a family enterprise, and, many times, due to illness or other problems, a trainee will have to rely upon a family member to do the needed work on the farm. FSC encourages family participation and attendance at the workshops.

IV. PROGRAM IMPLEMENTATION

The outreach and recruitment efforts began in June of 1978. Altogether, over 300 participants were identified as eligible and interested in the project. VISTA volunteers assigned to FSC participated in both the outreach and education aspects of the program. Because of the need to gear the program up quickly, FSC did not have time for an extensive outreach and recruitment effort. Consequently, there is a noticeable homogeneity among the participants which matches the incidence of need but does not reflect the variation preferred by the FSC. For example, statistics on the Sumter/Greene County project participants show that 89 per cent are over age 55 and all are black.

The feeder pig projects were possible because of the help of Heifer Project International, which donated 74 swine units, each consisting of five gilts and one boar. The 74 swine units were distributed among those participants indicating interest in a feeder pig project. It is planned that these participants will provide other swine units from the progeny of these animals.

In nearly every case the participants had past experience in both raising pigs and in farming for home consumption. It was, therefore, necessary to break some old farming habits, the legacies of their forefathers. An example is that the farmers who had been raising pigs all their lives by traditional methods found it hard to see the necessity of providing sanitary facilities for the pigs, a balanced ration and special farrowing pens for the sows. To break the hold of tradition, the trainers have encouraged the farmers to continue their standard operating procedures for stock on hand and compare the results with the new swine herd management procedures taught in the classroom. This allows the trainees to conduct their own research into swine herd management. The trainers are confident that the compared outcomes will win converts to the new, modern farming technology.

Breeding stock normally are bred twice a year with the gestation period being three months, three weeks, and three days. It is possible for the participants to raise approximately 80 pigs a year from the swine unit provided and, depending on the market, earn 50 cents to $1 a pound for the sale of the young pigs. They may net $1,800 per year. The feeder pig project involves selling the baby pigs at seven to eight weeks of age to producers who then maintain them until maturity when they are butchered for the market, which fluctuates as a consequence of supply and demand. If there is an abundance of pigs, the price subsequently drops. Projecting the future market for pork is one of the problems encountered by the feeder pig project.

Much of the training in these projects focuses on the use of available materials and equipment to promote the greatest efficiency. With a strong emphasis on appropriate technology (small is better), the agriculture extension specialist promotes farming practices that are most productive on small acreage. When mechanical equipment such as tractors, cultivators and sprayers are needed, the participants are encouraged to pool their resources and share the equipment. Feed, fertilizer, insecticides, and other consumables are purchased on a cooperative basis to get lower prices for volume purchases.

Participants are encouraged to market cooperatively as well. This reduces the transportation cost and makes it possible for farmers with no transportation to gain access to the market. The CETA training allowances provide a flow of cash that allows the farmers some working capital, many farmers investing their training allowances in materials and equipment needed to update their farming technology. Thus, the training allowance not only acts as a vital incentive to participate, but also provides the means to make possible the application of the acquired skills.

Frequent visits and technical assistance provided by an instructor reinforce application of skills acquired in the classroom. The tendency to backslide into the old ways is sharply curtailed when the teacher shows up to check the "homework." Another aid to facilitate learning is the keeping of business records for the farming enterprise. By recording all costs and profits, farmers gain immediate feedback on expenditures and profits or losses that are related to poor management. These records are reviewed at each training session by the extension specialist. Discussion may center on unusually high costs for materials, transportation and the way in which profits could have been increased.

In an agriculture-dominated economy, each modicum of improvement in the productivity of the farmer increases the demand for materials, supplies, farming equipment, transportation to markets, and an overall greater flow of money. This program, although modest in size, is effectively using CETA funds to upgrade subsistence farmers' productivity and to increase their earnings so that farming may play a more significant role in the local economy.

VII. PROGRAM OUTCOMES

The brief history of this project and the fact that it is in the nature of farming enterprises to require several seasons to bear results mean that intermediate objectives are used to measure the project's success. Many participant farmers and farm workers now have soil tests performed for the first time and have learned how to use other services available from the state agriculture extension service which lead to greater yields. Other significant accomplishments of this project include:

- Over 60 per cent of the participants have received an Environmental Protection Agency farm chemical application license.
- Over 35 per cent either have applied or plan to apply for farm operating loans from the Farmers Home Administration or other lending agencies.
- Participants' levels of technology have improved.
- Thirty trainees have already been approved for FmHA loan assistance or Emergency Farm Assistance, operating loans and capital acquisition for a total value of almost $100,000.
- Seventy-five participants have constructed modern sanitary facilities for swine. The breeding program has produced thus far 1,900 offspring which will soon be ready for market for gross sales of $47,500.
- Earnings have increased from $500 to $4,000 for each participant.
- Most of the participants are members of cooperatives.
- Participants without land now have access to land and can become commercial farmers.

In areas of traditional high unemployment and underemployment, participants have increased their earnings significantly and have been able to remain in an occupation that is compatible with their lifestyle preference. There may also be a certain ripple effect from the training; as the trainees become converted to the new technology, their testimonials will influence their neighbors to do likewise. In this way, entire farming communities will realize improved productivity that, in turn, will have a measurable impact on their economies.

Another significant outcome of this project has been the involvement of the participants in cooperative relationships that have given them definite marketing advantages. They have also been encouraged to work cooperatively with outside agencies to achieve mutually desirable objectives. Examples include collaboration among the Greene County Commission, the cities of Livingston, Eutaw, and Demopolis, FSC, the Agricultural Marketing Project and the program participants to organize a successful food fair that benefits small vegetable producers. In Missouri, the local U.S. Agriculture Department agencies, ACTION, the Missouri Department of Social Services, the Community Services Administration, and the National Rural Development and Finance Corporation have worked together to provide technical assistance to participants engaged in the feeder pig projects. In many other instances, USDA agencies and universities such as Clemson University and Auburn University agriculture extension services have provided valuable technical assistance. These collaborations suggest a much more effective use of resources to improve the management of a major contributor to a rural economy.

VII. SUMMARY

This project demonstrates the application of technical assistance and training to increase the productivity and, consequently, the earnings of small farmers. It is a realistic approach to a problem that has been a source of concern for the nation's economists and its lawmakers -- the eroding of a highly valued way of life in competition with an industrially based economy. It also illustrates the struggle of the small businessman who must find ways to compete successfully. In modern times, America's approach to greater productivity has been based on mechanization and mass production, but for the individual without manpower, capital, or technology, failure was certain.

This program does not solve the problem of the plight of the small farmer by suggesting another occupation or greater government subsidies. Instead, small farmers are encouraged to maintain their independence by functioning more efficiently within the limitations imposed by their environment, their personal capabilities and available capital. Although part of the training is the knowledge of how to access resources, it is clear that the project's strength rests in its enhancement of management and technology. By concentrating on the teaching of an appropriate technology, small farmers learn how to construct facilities using salvageable materials and natural resources, how to combine resources with other farmers to form cooperative relationships, and to produce higher yields by using modern science.

To undertake a solution to a problem that economists and government leaders have pondered for the last 20 years is challenging enough, but to offer assistance to farmers who are in greatest need -- the impoverished, the elderly, that invisible, silent contingent of subsistence farmers -- is an effort that requires the utmost courage and determination. Whether the effort will be determined successful will depend upon many factors outside the control of the program operators and their constituency, relating to the national economy, the market for agricultural products, and even the weather.

FSC recognizes the risk and has identified potential problems for solution in the coming year. FSC hopes to improve its outreach capacity to attract younger and more ethnically diverse participants. It also hopes to improve marketing capability to reach better markets with the produce and livestock.

The Consortium hopes to find a solution for unpredictable market prices for livestock and to gain greater support from local governments so there will be opportunities for setting up farmers' markets. New sources of capital to assist in the purchase of needed equipment to help farmers expand their agriculture production are needed. The Consortium will try to get a continuation of the services made available to the small farmer through the agriculture extension service or other established institutions. Resources for training are to be improved, including adequate space to hold classes, which is a problem at present. With the continuation of CETA funding, the Consortium for the Development of the Rural Southeast believes it can clearly demonstrate the value of training and technical assistance to the small farmer.

The federal guidelines and regulations pose another problem for this economic development project. USDA policy prohibits making FmHA limited resource loans to seasonal farm workers. Regardless of their experience in growing food for home consumption or working for other farmers, they are not recognized as experienced farmers. Likewise, the Agricultural Extension Service often applies its resources to the larger, more productive farmers.

Being small presents special problems. Just as undersized people have difficulty finding clothes that fit, small farmers have difficulty finding machinery that fits. Farm equipment is usually larger than a small acreage farmer needs or can use and its cost is prohibitive for small-scale farming.

Overall, attempts at self-sufficiency threaten the larger farmers who depend upon migrant and seasonal farm workers for cheap labor. This situation results in subtle resistance from the local economic elites who in turn must rely on agribusiness for their livelihood. Credit for seed fertilizer and equipment are withheld from the farm workers or they are no longer allowed to farm as tenant farmers. This loss of land to farming destroys any hope that the subsistence farmer may ever join the ranks of independent, productive farmers.

Case Study:
THREE DAY CARE CENTERS
MIGRANT AND SEASONAL FARMWORKERS
ASSOCIATION, INC.
Hyde, Tyrrell and Wilson

TRYING TO HELP FARM WORKERS IN EASTERN NORTH CAROLINA, THIS CETA 303 PROGRAM STARTED TWO DAY CARE CENTERS AND ENLARGED A THIRD.

TODAY, WITH BUDGETS OF MORE THAN $330,000 A YEAR, THE CENTERS CARE FOR 174 CHILDREN AND EMPLOY 33 PERSONS IN FULL-TIME, UNSUBSIDIZED JOBS

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Many rural employment and training programs which try to provide new skills for adults often find that day care for the children of participants is difficult to arrange if, indeed, it is available at all.

In the early 1970's when the Migrant and Seasonal Farmworkers Association, operating out of Raleigh, N. C., moved into Hyde and Tyrrell counties in eastern North Carolina, there was no day care center, no Head Start and no public kindergarten.

The Farmworkers Association helped to found non-profit day care centers in Hyde and Tyrrell counties, and, later, assisted in enlarging and sustaining a center in Wilson County. The Association has, over the years, provided work experience to teacher trainees using CETA Section 303 funds, and has been a steady customer of the center itself, because it needed day care services to permit parents to take advantage of CETA training or engage in seasonal farm work.

In Wilson County, an area farther inland and somewhat more urban, the Farmworkers Association became a purchaser of day care services for its participants in 1975. The center, small and with fiscal problems, had six children and three teachers in 1975. Today, the Hattie Daniels Day Care Center in Wilson, N.C., is the largest of the three now operating, caring for more than 100 children and employing 22 full-time teachers and other staff members.

Altogether, the three centers provide care for a licensed total of 174 children. The centers have budgets amounting to more than $330,000 a year and provide 33 persons with unsubsidized employment in jobs that did not exist until the Farmworkers Association set out to provide its own adult participants the day care their children needed.

In addition to children of farm workers and CETA participants, the centers care for children of welfare mothers, children whose parents are studying at an Opportunities Industrialization Center (OIC) and for children of parents who are able to pay for the care.

B. Relevance to Other Area Economic Development

As a companion case study also involving the Migrant and Seasonal Farmworkers Association illustrates (East Carolina Industries), some economic development and income-increasing efforts can involve the use of major natural resources and the marketing of exotic products in sophisticated international markets coupled with the teaching of a basic skill such as fishing. But these efforts are rare, and the development of the eel trade along the North Carolina coast is atypical. The seemingly routine effort to care for pre-school children while parents participate in a CETA program can also generate new jobs and provide a valuable service to the community.

The Migrant and Seasonal Farmworkers Association has been working with poor farm workers and their children since the mid-1960's. Its director, Mr. William H. Shipes, is a veteran of the war on poverty, among other battles, and the seasoned staff he has assembled never loses sight of good job opportunities to pursue whether the project is as rare as fishing for eels or as mundane as establishing child care centers.

The breadth of scope among a professional, dedicated staff, the constant willingness to try to help economically disadvantaged farm workers, the knowledge of Fedeal funding sources and the ability to link them are the elements in this and the eel project that are relevant to other job-generating efforts and make the inclusion of these two very diverse projects aided by the same agency worth review for those in CETA and other economic development efforts.

C. This Project and The Five Ms

The market -- the need for day care services -- was there all along, but was simply not being met. Moreover, the Farmworkers Association provided part of the market itself by purchasing child care for its own CETA participants. It also trained available manpower (in this case, womanpower) from the community, in the process coming up with part of the money to get started. Other money came from welfare and other agencies as well as individual parents. Management came in part from guidance and technical assistance offered by the new board members of the non-profit centers and through training for teachers and directors, some acquired while future teachers were CETA trainees and some acquired after former participants became regular day care center employees.

D. Preliminary Assessment of Success

Counting as they do now on regular payments for child care from the Farmworkers Association, Social Services and individual parents, the three centers go into each budget year knowing that they must still raise some additional money. The centers are successful in raising the additional funds through cake sales, festivals and "king and queen" contests. Several thousand dollars a year are obtained through these efforts. The children receive good care, and the more than 33 teachers and other staff members are paid some $240,000 a year in wages for steady, permanent jobs. Prospects for continuing and expanding are firm.

E. Summary of Difficulties or Advantages in Project Development

These projects had several advantages in that parents and representatives of agencies purchasing day care services served on the boards and maintained a continuing genuine interest. The Farmworkers Association also provided steady assistance, from help in forming the non-profit organizations to providing CETA work experience for trainees. At the same time, the Association was a steady customer of the centers by sending to them children of farm workers. If there was a major difficulty, it was simply lack of money from any one source to expand facilities and care for more children.

F. Overview of Case Study to Follow

This case study provides details of how the day care centers were founded and how they are operated, including current sources of funds that provide most of the centers' revenues. It covers the role of CETA both as a provider of trainees and as a purchaser of services. Since two of the centers are in Hyde and Tyrrell counties in North Carolina, this study does not repeat background data on those areas nor does it repeat historical information on the Migrant and Seasonal Farm Workers Association presented in the East Carolinas Industries study.

II. GENERAL BACKGROUND

The broad aims of the Migrant and Seasonal Farmworkers Association and its particular emphasis on increased incomes for resident farm workers in isolated rural areas were covered in detail in the East Carolina Industries study. This study illustrates another and sharply different aspect of the approach of the Farmworkers Association which also resulted in new, unsubsidized jobs.

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III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The paucity of jobs, adequate incomes and general economic activity in coastal Hyde and Tyrrell counties was detailed in the East Carolinas Industries report. Two of the day care centers, described in this study are located in Hyde and Tyrrell, the third being in Wilson County, four counties and 100 miles inland and west of Hyde and Tyrell. Wilson, with 375 square miles, is slightly smaller than Tyrrell and a little more than half the size of Hyde. While Hyde and Tyrrell have fewer than 9,500 citizens and no urban centers of consequence, Wilson has 60,133 citizens, slightly more than half (32,665) living in the City of Wilson, the county seat. In population, Wilson County's rank is 623 from the top among 3,143 U.S. counties. (Tyrrell's by contrast, is 2,942, and Hyde's is 2,799.) The 1970 census classified 51 per cent of the population as urban (compared to 45 per cent for the state) and noted that while 22.2 per cent of North Carolina's population is black, the proportion in Wilson is 36.8 per cent. Wilson's per capita income was $3,387 (U.S. rank 2,074) in 1974, while the state figure was $3,875. Median income of $6,568 ranked Wilson's families 2,114 in the U.S. and left them $1,202 per year short of the state's median. Of 14,100 families, 23 per cent or 3,243 had below poverty incomes. (For North Carolina, that figure is 16.5 per cent.) A fifth of Wilson's population receives public assistance, food stamps, supplemental security or social security payments.

Unemployment in Wilson does not seem to be the problem it is in Tyrrell or Hyde counties. Wilson's rate of unemployment went to 6.2 per cent in 1973 and 6.4 in 1974 and has been at or below 6 per cent since that time, as some industries have moved to the area.

Despite a growing industrial base, Wilson is still oriented toward a rural economy. The City of Wilson is a farm equipment and service center, and a fair portion of jobs often classified as manufacturing are in areas such as the auctioning, warehousing and drying of tobacco grown on the many nearby small farms. Although Wilson is a major auction market for bright leaf tobacco, a major ingredient in American cigarettes, the factory jobs sustained by cigarette manufacturing are still farther west in North Carolina -- in urban centers of the Piedmont, Durham, Reidsville, Greensboro and Winston-Salem. The result of this division of labor in the state that produces more than half of all cigarettes manufacturerd in the U.S. is that Wilson County. the heart of the tobacco-growing belt still has an agriculturally based economy. The average price per acre for farmland was $804, nearly double Hyde or Tyrrell values. There are 72 manufacturing establishments with payrolls amounting to more than $36 million a year, and 5,300 production workers are paid more than $26 million a year.

IV. PLANNING PHASE

The Migrant and Seasonal Farmworkers Association had helped to form a non-profit day care operation by the early 1970's when the single organization was divided so that Hyde and Tyrrell counties would each have separate centers closer to the families being served. While it was never intended that the centers become profit-making organizations, it was hoped that they could be self-sustaining. Rather than abstractly planning a day care care operation and then establishing it as planned, the Farmworkers Association directly responded to a long-standing need of its participants for day care for their children. The Association assessed resources -- primarily CETA work experience funds and CETA supportive services funds, in this instance -- and put them together to set up the day care operations.

V. PROGRAM DESCRIPTION

Once the day care operations were in progress, the CETA program itself was relatively straight-forward. There were two basic activities: (1) work experience to provide CETA-eligible participants the experience they needed to become day care teachers, and (2) supportive services for the children of CETA-eligible parents. In some cases, parents were engaging in CETA training, and in others, parents were engaging in seasonal farm work, receiving no other CETA service. Providing supportive services only, even for children of CETA-eligible farm worker parents, is permitted under Section 303 regulations. This is an interpretation which permits the "provision of services to migrants and other seasonally employed farm workers and their families who wish to seek alternative job opportunities to seasonal farm work" or the "provision of services necessary to improve the well-being of migrants and other seasonally employed farm workers and their families who wish to remain in the agricultural labor market." Operators of traditional CETA Title II skill training programs most often think in terms of supportive services to enrolled adults or their children only if the adult parents are engaged in some other CETA activitiy. Farm worker programs have long been a source of supportive services for children, as long as the family eligibility is established through sufficient prior migratory or seasonal farm work and insufficient income.

On the other hand, training and work experience provided by a Section 303 program are likely to follow the more traditional CETA patterns. The Migrant and Seasonal Farmworkers Asociation's provision of work experience for teacher trainees helped cut day care center costs, since CETA was paying the minimum wage for up to a year. It also provided the centers with the trained teachers they needed as they were able to hire them. Training beyond on-the-job type was provided most often by teacher training sessions, frequently of short duration and frequently offered free by the state department of education as a part of a general effort to improve the quality of pre-school care.

VI. IMPLEMENTATION PHASE

The Fairfield Day Care Center in Hyde County operates in a building adjacent to a migrant labor camp. This camp, about a mile north of Fairfield on Highway 94, will not win any prize for architectural ingenuity or landscape design. However, the day care portion of the structure is donated by the growers in the area who, years ago, saw it in their own interests to provide space. The details of cost and precise time are lost to history, but by 1973 the Farmworkers Association established a non-profit board to operate the center made up primarily of local parents.

In Tyrrell County, just west of Columbia, the Tyrrell County Child Development Center operates in more spacious quarters, an old two-story wooden school building that the nonprofit organization was able to buy from a private owner for approximately $3,000. Donations from parents and a loan from an OEO revolving fund helped improve the aged structure and make it habitable, both for the children and for some farm worker program offices.

The Wilson center is in a sharply different setting. Using free (except for utilities) a wing of what was once a state tuberculosis sanatorium, the Hattie Daniels Day Care Center is spacious, well-organized and a place where a hundred children a day are obviously happy, active, well-fed and well-cared for. But when the Farmworkers Association started looking for day care services in Greene and Wilson counties in 1975, the Hattie Daniels Center had six children, three teachers and money problems. Following the pattern of establishing a community-based board, the Farmworkers Association provided staff through CETA work experience participants.

Mrs. Rashmi Nakhre, a native of India living in Wilson because her husband teaches at a small church-related college, is director of the center and a driving force both to the day to day operation of the center and in generating community support.

Asked where funds had come from for a new, though modest, desk and a couple of chairs, Mrs. Nakhre explained there was no money in her budget for furniture. "But," she said, "I go to the mayor and say, 'Where is my Christmas present?'" Then she adds, with a glint of justifiable pleasure that suggests she knows far more about American ways than just how to make five-year-olds happy, "He is in the office furniture business."

Like the centers in Hyde and Tyrrell, the Hattie Daniels Center raises money in much the same way as virtually every other school in the country -- through bake sales, carnivals and similar activities. Although amounts vary, it is not unusual for such activities to produce $5,000 or $6,000 in a year. Since this is money that does not have to be spent to satisfy anybody's Federal rule -- though it often is -- it can be used for equipment, or for other items, such as toys, that make children happier.

The Wilson Center signed its first contract with the Farmworkers Association in 1975, by agreeing to care for 20 children of farm workers. Two teachers who were there before Mrs. Nakhre came were joined by three work experience participants, so that by the end of 1975 there was a staff of six.

With 22 employees now, Mrs. Nahkre can readily identify more than 10 who came through CETA. They are paid from $2.92 to $3.38 per hour. She can identify others -- a janitor, a cook, and secretary who came to the center as CETA trainees but who now have unsubsidized jobs elsewhere.

The budget of $211,000 includes $153,000 for wages. In a typical enrollment group of 104 during the summer were 60 children paid for by social services, 10 children of farm workers paid for through the Farmworkers Association by CETA, 10 children paid for through the Wilson OIC, (also CETA through a balance of state contract) and 24 children whose parents paid the fees. Parents were paying $108 per month while Federal programs were averaging about $130 per month. Expenses are cut where possible by the use of any temporary PSE, summer youth or other assistance Mrs. Nakhre can spot -- and she is always looking.

In Hyde County, the permanent staff of four has provided jobs for six different people over the years, the low turnover rate a reflection of the stagnant labor market of the area. The Farmworkers program was paying for 10 children, seven were sponsored by social services (on a typical day in 1979) and two were home with the measles. The cost is $146 per child per month, including transportation, a significant item in a sprawling rural, sparsely settled area. The center's van is driven 106 miles per day -- one way -- by a teacher. Some other children ride with other teachers. In a budget projected at $46,000, transportation is nearly $5,000 or 11 per cent, while such items as staff development and supplies can be allotted only $100 and $380, respectively. Field trips are budgeted at $75.

Tyrrell County's center has seven teachers who care for 48 children on an annual budget of $75,901. The Farmworkers Association pays for 26, social services for six and parents for the remaining 16. Paying parents are charged $14 to $21 per week, according to income. In Tyrrell, transportation is again a heavy cost. The van travels 165 miles a day, and two cars cover 119 miles to gather in the 48 youngsters. Three of the seven staff members came through CETA work experience, and one was relatively new and still in work experience last summer. Although the committed funds amount to $75,901, the director speaks of an $83,000 budget, the difference being the amount that must come from those carnivals and cake sales to break even. About 25 youngsters come from Tyrrell County and the rest from Washington County, adjacent to the west. The 25 Tyrrell youngsters are about one-third of those in the county of pre-school age known to the director or staff as being in need of day care.

VII. PROGRAM OUTCOMES

This table using 1979 figures provides a summary of outcomes.

County Center	Budget	Salaries	Staff (Unsubsidized Jobs)	Children Receiving Care
Hyde	$ 46,139	$ 31,086	4	22
Tyrrell	75,901	55,093	7	48
Wilson	211,093	153,832	22	104
TOTALS	$333,133	$240,011	33	174

Of the 174 children, averages would have 46 from the Migrant and Seasonal Farmworkers Association, CETA 303; 10 from OIC, also CETA; 73 from social services and 40 being sent by parents who pay the fees for their own children.

VIII. SUMMARY

Trying to serve farm workers in sparsely settled eastern North Carolina counties, the Migrant and Seasonal Farmworkers Association satisfied its own program need of day care for adult CETA-eligible individuals, established independent organizations that now provide day care for other children as well, and, using work experience, placed several CETA trainees in the 33 permanent jobs the Farmworkers Association helped to create.

Case Study:
POSSUM TROT CORPORATION
KENTUCKY HIGHLANDS
INVESTMENT CORPORATION
McKee, Jackson
County, Kentucky

IN A SPARSELY POPULATED RURAL AREA OF KENTUCKY, A PLANNING GROUP OF COMMUNITY ACTION PROGRAM DIRECTORS FORMED A NON-PROFIT COMMUNITY DEVELOPMENT CORPORATION WHOSE FIRST PROGRAM BEGAN AS A SUBSIDIARY AND IS NOW A FOR-PROFIT CORPORATION. POSSUM TROT CORPORATION PRODUCES A LINE OF SOFT TOY PRODUCTS WHOSE NOVEL DESIGN HAS ENABLED RAPID GROWTH AND EXPANSION INTO NEW PRODUCTS. BY 1978, POSSUM TROT EMPLOYED 100 PEOPLE AND BOASTED ANNUAL SALES OF $2 MILLION. WHILE JOB CREATION HAS REMAINED THE BASIC GOAL, THIS PROJECT HAS PROVIDED WIDER DEVELOPMENT OF THE WHOLE COUNTY AREA BY MEANS OF COMMUNICATION, TRANSPORTATION AND EDUCATIONAL IMPROVEMENTS. RECENT COMPETITION HAS REDUCED JOBS, BUT A COMEBACK IS PLANNED.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

In 1970, an ad hoc planning group of community action program directors formed a non-profit community development corporation, the Kentucky Highlands Investment Corporation (KHIC), in response to CAP surveys of community-identified needs. As originally established, KHIC was a typical CDC "umbrella agency." Its first development program began as a wholly owned subsidiary and was launched by the "fluke" discovery of a novel design for a soft toy. Mountain Toymakers was initiated by KHIC as a non-profit operating unit. By 1978, the toy manufacturing firm had evolved into a for-profit company and had changed its name to Possum Trot Corporation. Employment at the company peaked at 100 people in 1978, and its annual sales had climbed to nearly $2 million as its line of products expanded. In the last 18 months, both sales and employment have fallen off as new competitors have come into the market. During the project's initial stage and subsequent growth, CETA funds were used to provide on-the-job training (OJT).

B. Relevance to Other Area Economic Development

Jackson County has been receptive to development, and with support from KHIC, local community development groups are active in the county. Although Possum Trot's impact on the local tax base has not been as heavy as might be expected, there is no doubt that personal income and economic independence have been increased in this area. In addition, other smaller business operations can get trucking service as a direct result of the existence and demand of Possum Trot. This improved transportation service has made a crucial difference in the development of these small businesses.

C. This Project and the Five M's

Money for the establishment of the toy manufacturing project came exclusively from KHIC which began with $20,000 in OEO CAP allocations to get the job creation effort going. During its period of growth, some CETA funds were made available for OJT. Management for the project has been provided by Mr. Dick Martin, a former eastern Kentucky field representative for the Office of Economic Opportunity, who served as president of Job Start until 1972 when he left the CDC to become president of the toy-making firm, Possum Trot Corporation, which he still heads. Manpower for the project was available from the community in general, where 9.3 per cent of the workforce is unemployed. The market for the soft toys produced by Possum Trot is historically very competitive, but because of its unique toy design, the firm is able to compete with other manufacturers in metropolitan areas where the toys are marketed.

D. Preliminary Assessment of Success

The success of the toy manufacturing firm came about primarily as a result of the discovery of a novel toy design and corporate emphasis on entrepeneurship. As a wholly-owned subsidiary of KHIC, the firm benefited from the management and promotional expertise of the parent organization. In addition to this technical assistance, Possum Trot has received financial stability from KHIC which currently invests $423,000 in equity shares as sole stockholders. This assistance has enabled the toy making firm's annual sales to rise from $30,000 in 1970 to nearly $2 million in 1978. Even though sales and employment at the firm have slipped somewhat since 1978, Possum Trot continues to provide jobs and income in the community.

E. Summary of Difficulties or Advantages in Project Development

Perhaps the most obvious advantage in the development of Possum Trot is KHIC's emphasis on innovative entrepreneurship which fostered the discovery of the novel toy design. This fluke discovery was cultivated by KHIC's venture capital investment strategy. The development of the job creation project confronted an actively hostile state administration during its initial stages and support from the local government was very limited. Not until the firm proved that it could supply jobs as well as marketable products did the resistance subside.

F. Overview of the Case Study to Follow

The study that follows will describe the geographic area where Possum Trot located, provide background on the people who live and work there, describe the economic condition of the area, explain the planning and implementation activities of the agencies and individuals involved in generating the new jobs, describe the role of CETA in this economic development effort and present the project's outcomes.

II. GENERAL BACKGROUND

The Kentucky Highlands Investment Corporation has many of the characteristics of a conventional rural community development corporation. It was established in 1968 by a group of community action program directors in southeastern Kentucky, and is a non-profit Kentucky corporation. Its operational funding -- currently at the annual level of $490,000 -- comes from the Community Services Administration as does the majority of its development capital. KHIC's general corporate goal or purpose is to promote development in the nine-county area it serves as a community based organization.

Despite these familiar aspects, however, KHIC has evolved into a distinctive, if not a unique rural, CDC, its distinctive character stemming from two factors: a corporate emphasis on entrepreneurship as both a cause and cure for lagging rural development and a corporate decision to pattern the major thrust of KHIC's development effort along the lines of a private sector venture capital investment operation.

These two factors have had an obvious and profound impact on KHIC's structure as well as on its operational approach. As originally established, KHIC was a typical CDC umbrella agency. with its first development program or venture -- a soft toy manufacturing firm -- a wholly-owned subsidiary. KHIC has remained an umbrella agency, but it is no longer interested in majority stockholding in a production company such as the toy-making firm.

Through 1979, KHIC estimates it will have used more than $4 million in federal development investment funds. Although it has substantial potential drawing rights with CSA, it is working to develop its own unencumbered investment funds.

KHIC operates with a central staff of 10 from headquarters in London, Kentucky. Staff structure is not rigidly departmentalized. In its entrepreneurship activities the staff resources are augmented by the Institute for New Enterprise Development, a non-profit corporation based in Belmont, Massachusetts. INED works with KHIC on a regular basis.

KHIC's president, Mr. Thomas F. Miller, is and has been a dominant figure in the evolution of the agency. Still in his early 30's, Mr. Miller came to KHIC in 1972 from a position as a senior auditor in Washington, D.C., for Arthur Anderson & Co., an accounting firm. Influenced to some extent by INED, he has been actively involved in developing KHIC's emphasis on entrepreneurship and has played a leading part in establishing the venture capital investment strategy of KHIC. He has assembled the staff that has further developed and carried out that strategy.

Mr. Martin, a former field representative in eastern Kentucky for the Office of Economic Opportunity, was a major figure in setting up Job Start. He became Job Start's first president -- a job he held until Mr. Miller's arrival in 1972, when he left the CDC to become president of toy-making firm, Possum Trot Corporation, which he still heads.

Mr. Martin generally endorses the changes that have developed within KHIC. He says that even the original name, Job Start, was "probably a poor choice," the gist of his view being that the success of the initial Job Start venture was accidental. He suggests that in order to continue developing successful new ventures -- especially in politically and economically conservative eastern Kentucky -- it was necessary to adopt an approach like that now followed by KHIC.

The KHIC board of directors has remained the constant link between the CDC and the nine counties it serves. Two board members are selected by participating community-based organizations for each county except Bell and Whitley, which are jointly represented by two members named by the Bell-Whitley Community Action Agency. Additional members are elected by the board, which also includes a representative of the sub-state development district in which KHIC operates.

While the board's structure resembles that of many non-profit CDCs, the membership reflects the distinctive character of KHIC. Among the eight community-based organizations that participate, only two are traditional "community action" agencies, as the other six are more community development oriented. The members added by the community representatives include a bank president and management personnel from two of the larger corporations in the area.

By KHIC's estimates, from 1968 through fiscal 1979, the CDC had drawn $2,803,000 in operating funds and $4,541,000 in investment funds from the CSA and its predecessor OEO. That total funding ($7,344,000) has generated 11 major new or expanded business ventures in addition to Kentucky Highlands Real Estate and Mountain Ventures. The total assets of the 11 ventures are estimated by KHIC at more than $15 million, and they currently employ approximately 400 men and women who were drawn from the local labor force in the KHIC service areas.

KHIC has generated job-creating ventures in five of the nine counties it serves. It claims a current annual reduction in welfare payments of $400,000 as a result of its venture capital investment strategy.

Given the extent of unemployment, underemployment and poverty in the KHIC service area, KHIC's impact on the area's total development needs is still modest and difficult to measure. Yet the figures for the individual ventures are clearly significant by themselves. KHIC has developed the capacity to leverage more than $4 in conventional lending for every $1 it puts in future ventures.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The KHIC service area is a 3,468-square-mile arc of land in southeastern Kentucky. It extends east from Rockcastle County through Jackson and Clay counties, drops south to fabled "bloody" Harlan, then swings west to take in Bell County at the western foot of the Cumberland Gap and a tier of counties along the Tennessee border -- Whitley, McCreary, Wayne and Clinton.

All counties also share a tradition of isolation. Away from Interstate 75, strangers are noticed and newcomers moving into the area can remain newcomers for a generation or more. KHIC's community development director, Mr. Ike Adams, who is an eastern Kentucky native, says there is no hostility to newcomers so long as they are properly introduced and do not seem to be trying to "take over." But he adds that even he must be careful of nis approach to certain individuals and groups.

As in many rural areas, there is an obvious conservatism in the political, economic and social attitudes. Except in one tourist-conscious mountain county that adjoins the service area, the entire region is dry as far as the sale of alcoholic beverages is concerned. Churches are strong, and church-going is a notable feature of the lifestyle. The racial composition of these counties is overwhelmingly white, with only one of the nine counties including as much as a two per cent non-white minority.

Jackson County is the site of the Possum Trot Corporation that began KHIC's evolution from Job Start. It lies in the northern part of KHIC's cresent-shaped service area, and covers 337 square miles. The population of the county increased from 10,005 in 1970 to a provisional estimate of 10,600 in 1978; the county seat of Jackson, McKee, has a population of less than 500. There are no other incorporated places in Jackson County.

Jackson County's timber and coal resources have been largely depleted and are only marginally significant to the county's economy at the present time. Agriculture has, however, continued to be important in Jackson as nearly 15 per cent of the employed labor force is engaged in primarly tobacco and livestock production. Agriculture ranks with government as the county's largest generators of personal income.

Jackson County's median family income was $5,700 and its per capita income $3,207 in 1977. Of the county's 2,595 families, school district census data show that in 1977, 1,332 families had incomes which were below poverty level. Of these 1,332 families, 520 were estimated to have incomes that were 50 per cent or more below the poverty level. The Kentucky Department of Local Government estimated that 5,169 people in Jackson County -- more than half of the population -- were in "absolute poverty" in 1978.

In this situation social services are obviously in great demand. As of June, 1979, 895 families or 3,028 persons were receiving food stamps. Aid to Families with Dependent Children (AFDC) was going to 323 families in Jackson County, and monthly AFDC payments in the county currently run about $50,560. All welfare payments (excluding food stamps and SSI payments) currently amount to approximately $1.5 million in Jackson County. This figure exceeds all 1978 wages paid in each of five categories covered by Kentucky Unemployment Insurance -- construction, manufacturing, wholesale and retail trade, finance and real estate, and services.

Median educational attainment for adults over 25 in Jackson County is among the lowest in the state. The median figure for males in Jackson is 7.3 years of schooling, and the figure for females is 8.1 years. State Vocational Education Bureau statistics indicate that 495 persons in Jackson County have had some form of vocational education, but there is no vocational-technical school or vocational education center in the county. Such facilities are available in adjoining counties.

As the educational attainment figures indicate, the labor force in the county is made up largely of unskilled workers. Labor market demand in the county is also primarily for unskilled workers. Excluding mining and agriculture, there are four major private sector employers in Jackson County.

Possum Trot, Phoenix Products and Kentucky Woodcraft constitute virtually the entire Jackson County manufacturing sector; their current joint employment level is at slightly above 100. Other major sources of non-agricultural, non-governmental employment for Jackson County residents are in adjoining counties.

Current estimates put the Jackson County labor force at 4,101 of whom 3,718 are employed and 383 are unemployed (9.3 per cent). An additional 310 persons are considered "underemployed."

The county suffers from both limited resources and limited native leadership. County government operates on the judge-magistrate system in which the elected judge is the chief executive officer, and the elected magistrates constitute the equivalent of a board of supervisors. Services provided by the county are limited.

There are some employment and training programs which operate in Jackson County. CETA programs and services are provided for Jackson by the Eastern Kentucky Concentrated Employment Program (EKCEP), but EKCEP has been very careful to maintain a fair distribution of funds and participants among Jackson and two other counties. This emphasis on equity in allocations reflects the passive role of CETA concerning economic development, as CETA planning and programming are not developed as part of a comprehensive effort to reach specific developmental goals in Jackson County.

IV. PLANNING PHASE

According to Mr. Martin, who has been involved with Possum Trot and KHIC since their inception in 1968, both of these had their origins in a familiar community action activity of the

1960s -- surveys of community-identified needs. As Mr. Martin puts it, "The CAPs asked the people what they wanted; they said, jobs, and we tried to respond." The original approach was thus not only oriented to the supply side of the labor market, but Martin recalls it was also oriented toward "hardship hiring." Although recollections are hazy about who did what in the initial planning more than a decade ago, the planners and the sources of support came largely from the community action movement.

The state administration at that time was, according to Mr. Martin, actively hostile to key CAP leaders in the area, and local support was limited. The ad hoc planning group members turned to their funding source -- the Office of Economic Opportunity -- for help. Some $20,000 was made available from CAP allocations to get the job creation effort going with a feasibility study.

In Mr. Martin's view, the planners' biggest break was discovering a novel design for a soft toy. This involved the production of a series of mother animals with babies that could be attached and removed by a child. The animals were pigs, sheep, possums, and others. Without this design upon which to build their operations, Mr. Martin suggests there might never have been a Possum Trot or a Kentucky Highlands Investment Corporation. He considers the finding of the product so important, and in this case, so chancy that he suggests Possum Trot's existence is "something of a fluke."

In any event, the toy design seemed ideal for the supply-oriented approach pursued by the original planners. Production of soft toys involved no demanding industrial skills, and in an operation akin to quilting, there were prospective openings for women, many of whom were "hardship" cases. Operations could also be carried on at different sites within the area to spread the benefits to more communities.

The ad hoc planning group formed a non-profit CDC, Job Start, with Mr. Martin as president. It launched Mountain Toymakers as a non-profit operating unit. While the primary aim was job creation, these plans also stressed the interest and aim of maintaining community control of the venture.

V. PROGRAM DESCRIPTION

The survival of a small enterprise often is often aided by the assistance of CETA in hiring initial employees. Such was the case at Possum Trot, as CETA funded on-the-job-training for employees in the manufacturing of the soft toys. Work experience programs also were provided for employees who had no previous industrial experience for the demands of production jobs. Employees were instructed in the basic skills of sewing, quilting and factory production. However, after the company's peak year of production in 1978, CETA has become less involved in the training of personnel. Management hopes that OJT contracts will be negotiated again with CETA in the near future.

VI. IMPLEMENTATION PHASE

Possum Trot, under its original name, Mountain Toymakers, began production in 1970 with 29 emloyees. Operating on a dispersed basis as a unit of the CDC, Possum Trot established its product line rapidly. Sales jumping from slightly less than $30,000 in 1970 to nearly $200,000 in 1971. Employment nearly doubled, and annual sales increased again to the $320,000 level in 1972.

Both the success of the operation and the developments introduced into the CDC by Mr. Miller in 1972 led to basic changes in Possum Trot. It became necessary to tighten up management of the growing operation and give it a status apart from the CDC. Thus, Mr. Martin moved from heading the CDC to heading Possum Trot in 1972. The following year, it was re-established as a for-profit corporation with KHIC investing $423,000 to become its sole stockholder. (Mr. Martin and other management personnel later obtained two per cent of the outstanding shares.)

Possum Trot's employed personnel increased to 100 and its annual sales to nearly $2 million by 1978 as its line of products expanded. But in the last 18 months, both sales and employment have fallen off as new competitors have come into the market, and with inventories building up, Possum Trot had to cut back its production force to about 50 persons.

Mr. Martin feels that new designs can recapture lost sales and restore lost jobs. He doubts, however, that Possum Trot can or should try to recapture the original aim of community ownership. Since the recasting of Possum Trot as a for-profit corporation, Mr. Martin has looked for ways to bring about employees' ownership, not minority shareholding, but ownership and control. His doubts have arisen from his seven years' experience in managing Possum Trot. He believes that management must be guided by the competitive realities of the market place, and doubts that an employee-directed management could maintain Possum Trot's capacity to provide the full number of jobs it can and should provide.

VII. PROGRAM OUTCOMES

Although the Possum Trot operation has not generated a significant increase in median family income or per capita income in Jackson County, it has directly improved the economic condition of several hundred individuals and their families. Average wages for the firm range above $8,000 per year. Even with Possum Trot's reduced production force, $400,000 a year in increased personal income is produced in Jackson County. The multiplier effect is difficult to calculate, but the implications of a $400,000 payroll in McKee, Kentucky (population less than 500), are clear. And Possum Trot has had other effects on the area such as the fact that other smaller operations can get trucking service because of the existence and demand of Possum Trot.

All of this has produced some direct increase in economic independence, including the removal of an estimated 45 families from the welfare roles. Mr. Miller and others say it has also provided a major stimulant to the area's belief in KHIC's development approach and in its own capacity to deal with development problems.

VIII. SUMMARY

Possum Trot Corporation has prevailed in a politically conservative and economically depressed area as a result of KHIC's emphasis on entrepreneurship and its capital investment strategy. The discovery of an innovative toy design sparked the rapid growth of the project, but it should be noted that Possum Trot probably would have developed anyway, though perhaps more slowly. While job creation has remained the venture's basic goal, management has sought to achieve that aim by facilitating private sector development, ownership, and operation. Management also negotiated OJT contracts with CETA to assist in establishing the firm's workforce and to maintain trained personnel in the plant. CETA has played a limited but significant role in the development of Possum Trot by providing training and employability development services to many unskilled, unemployed workers.

Case Study:
MOLALLA MOUNTAIN COMMUNITY PROJECT
CLACKAMAS COUNTY EMPLOYMENT
AND TRAINING PROGRAM
Clackamas County, Oregon

THE MOLALLA MOUNTAIN COMMUNITY PROJECT CAME ABOUT BECAUSE OF A DETERMINED CETA WORK EXPERIENCE COORDINATOR. HE SAVED THE JOB OF A LADY WHO KNEW HOW TO MAKE QUILTS. SHE HAS TAUGHT OTHERS. DESPITE PROBLEMS, THERE IS PROMISE OF A CRAFTS-PRODUCING COTTAGE INDUSTRY TO PROVIDE JOBS FOR THE HOME-BOUND, HANDICAPPED AND SENIOR CITIZENS.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

The Molalla Mountain Community Project grew out of an attempt to create a permanent job for a single work experience client for whom there were no alternatives to unemployment. The client, a handicapped senior citizen of Molalla, Oregon, had a limited education but had learned a special skill: quilt-making. To provide her with temporary employment, the Clackamas County CETA office had placed her on a work experience contract with the Molalla Service Center (MSC), where she was to learn to teach quilt-making skills to needy individuals in the area. Each of her students made two quilts, one to keep and one for the MSC to give to another needy individual.

There was no quilt-making industry in Molalla or Clackamas County into which this client could be placed. The work experience coordinator for CETA exercised his imagination and devised a plan to provide permanent employment to this individual and other handicapped, home-bound, and senior citizens in the area by creating a cottage quilt-making industry. His plan required the participation of agencies other than CETA and a restructuring of the Molalla Service Center to form the Molalla Mountain Community Project.

The Molalla Mountain Community Project is intended to provide training, production, and marketing services for individuals involved in craft production in their own homes and at the Molalla Service Center. The services provided by the MMCP are an extension of those which have been provided to the town and the surrounding area by the MSC. The MSC has existed for a number of years as a local service center of the Clackamas Community Action Agency (CAA), one of four service centers established in locations at some distance from the CAA's central offices in Gladstone, Oregon.

Until MMCP was created, CAA energies had been devoted primarily to the provision of services such as food and clothing to the needy. The MMCP broadened the CAA's concerns to include participation in economic development efforts and provision of employment to the area's needy citizens. The initial goal of creating a quilt-making industry has been expanded to a goal of creating several cottage industries.

The idea for the project was first developed in July, 1978. Planning began in August and implementation in October of the same year. The project has experienced a number of problems which have impeded its progress. However, the project provides a model and some significant lessons for economic development efforts in other areas.

The Molalla area has suffered the same type of decline as numerous other rural areas. It is close to the major city of Oregon -- Portand -- and in recent years has seen all major economic development focused on that and other more urban centers of the state. At the same time, underemployment and unemployment in agricultural and timber industries of the area have increased. The seasonal nature of those occupations increases the area's problems. The MMCP represents one small response to this trend toward decline, which has placed a heavy burden on the handicapped and home-bound people in the area.

B. Relevance to Other Area Economic Development

Being a very small project, the MMCP is not tied to other economic development projects in the area. It is not expected to have a significant impact on the total economy of the area. Instead, it is designed to create cottage industries which will eliminate or reduce the dependence of a few individuals on public support.

C. This Project and the Five M's

As the theory in Chapter One of the companion monograph suggests, all five M's of economic development have been important for this project. Materials and money were made available by various federally funded programs. For manpower there is an ample supply of handicapped, home-bound, and senior citizens in the area. There is a large potential market for handmade quilts which only waits to be developed; to date local markets and craft fairs have provided sufficient markets for the products of the project. The critical element in the implementation of this project has been the fifth "M" -- management. As will be discussed in this case study, absence of consistent direction and strong management has kept the project from achieving its potential.

D. Preliminary Assessment of Success

Although employment and incomes have been provided to a limited number of individuals, the project has not yet been institutionalized. No self-sufficient cottage industry has emerged. Whether a quilt-making cottage industry will be developed remains an open question. Other industries which the MMCP seeks to develop, including the production of wooden signs for the U.S. Forest Service, are still on the drawing board.

Nevertheless, the project provides an interesting model for the integration of CETA funds with resources from other programs and agencies for small-scale economic development projects.

E. Summary of Difficulties or Advantages in Project Development

While the primary difficulty of the project has been management at the project site, the MMCP has had the advantage of significant support from a number of agencies. CETA, Vocational Rehabilitation (VRD), and CAA offices in Clackamas County, Oregon, have demonstrated their willingness to work together and to commit their resources to secure the success of a program that will serve the handicapped, home-bound, and senior citizens of the area.

The MMCP also demonstrates the importance of a dedicated intermediary devoted to the success of a project.

F. Overview of the Case Study to Follow

The case study which follows will review labor market and other characteristics of the project area and then describe how the Molalla Mountain Community Project was planned and implemented. Included in the discussion are a description of the problems which have impeded the achievement of project objectives. The value of the project as a model for other areas is also discussed.

II. GENERAL BACKGROUND

Molalla, the small town in which the Molalla Mountain Community Project is located, is 27 miles south of Portland, Oregon. The Portland area is the major metropolitan area of the state, with approximately half of the state's population. However, Molalla and the surrounding area are rural. Lumber, agriculture, and related industries have provided the bases for the local economy. Because these industries have been marked by declining employment, Molalla has not been a center of economic development in the recent past.

Molalla is located in the Willamette Valley. Eighty per cent of the population of Oregon lives in the Valley, which stretches from Portland south to Eugene along the Willamette River. Historically, the primary industry in the Valley has been agriculture. Recent economic development has brought new and diverse industries to the area, but that development has been focused on the urban areas and larger towns. In general, the economy of Oregon relies heavily on the timber industry and agriculture. In this respect, the economy of Molalla is much like the economy of the rest of the state. Tourism is one major industry in Oregon which does not affect the Molalla area. The Molalla Mountain Community Project, with its plans to market handmade quilts at tourist centers and to produce wooden signs for the Forest Service, will attempt to integrate the local economy into the tourist industry of Oregon.

In recent years, Oregon has developed an extensive network of craft fairs in the major cities of the state. The quilt-making project intends to make use of these local craft fairs for selling its products. A number of cities in the state, including Portland, Salem, and Eugene, now have permanent indoor sites for craft markets.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Molalla had an estimated population of 3,050 in 1978. The population of the town and its surrounding area was estimated as 18,755 in 1978. Other towns in the area include Mulino, Canby, Marquam, Colton, and Beaver Creek. The area is part of the Portland Standard Metropolitan Statistical Area, whose population was estimated as 1,071,500 in 1974. The population of Clackamas County, of which Molalla is a part, was estimated at 196,000 in 1974. The Molalla area is rural, with employment primarily in lumber, agriculture and related industries. The Molalla Mountain Community Project was designed specifically to help the handicapped, home-bound, and senior citizens of the area.

In 1974, the labor force in the Portland SMSA was 508,200, of which 444,000 were in non-agricultural employment. The largest manufacturing companies in Molalla itself are Publishers Paper Company, which operates a lumber mill in town; Crown Zellerback Corporation, which produces logs, poles, and pilings in Molalla; the Avision Lumber Company; and Copper Creek Tree Farm. Principal agricultural products in the area include poultry, specialty horiticultural crops, fruits and nuts, livestock, grasses and other seed crops, vegetables, dairy products, and grains.

The labor force in Clackamas County, which is part of the Portland SMSA, totals 92,083. The unemployment in June, 1979 was estimated at 5.2 per cent. The unemployment rate in some of the county's rural areas is four or more times the rate in urban areas. One target group of the MMCP -- the handicapped -- represents over 16 per cent of the population in the rural areas of the county. In addition, there are many senior citizens in the area. Thirty per cent of the seniors are handicapped. These target clients, many with physical impediments to mobility, are isolated from employment opportunities in urban areas.

Molalla has a mayor-council form of government and a city planning commission which controls land use zoning. Clackamas County is governed by three commissioners, who are supported by other elected administrative officials. The regional planning body is Metro, which has responsibility for implementing Oregon's land use planning system in Portland and the three surrounding counties. Political leadership at the local, county, and state level is committed to economic development.

The community of Molalla has suffered the economic decline of rural agricultural areas generally. Economic growth has occurred closer to the Portland metropolitan area. At the same time, the citizens of Molalla share the commitment to the work ethic which characterizes most rural areas. The business community and political leaders of Molalla were alienated by the

the "hippy types" who had been associated with the Molalla Service Center in earlier years. Since the MMCP began, the MSC has hired new staff. The local business community, the mayor and others now have given their support to the project. The project promises to reduce government subsidies to the individuals who participate. It does not imply the attraction of new residents to the area. In general, it avoids the controversies which surround some development projects in rural Oregon.

There is not a large number of government-funded social services in the Molalla area. The community action agency, whose district offices are in Gladstone, has maintained the Molalla Service Center as a satellite center. Among other services, it provides surplus food and clothing to the needy. No other Social Service or Public Health Department office is located in Molalla.

The Clackamas County CETA office, located near Portland, has provided a limited number of employment services in the Molalla area. Because of the commitment of the individual in the CETA office who devised and pushed for the creation of the MMCP, the CETA office has placed a total of 16 people with the project, using both OJT and work experience money. Any other social services in the area, such as day-care and a well-baby clinic, are provided by local churches.

Job training is provided in the area by the Molalla Community School, which offers both job skill and GED training in the local elementary school. Clackmas County Community College is located 20 miles away in Oregon City. Both the Community College and the Community School have provided training to CETA clients.

IV. PLANNING PHASE

Planning for the quilt-making project of the MMCP originated and was pushed by one individual, Mr. Jon Townsend, a work experience coordinator with the Clackamas County CETA office. The original impetus for the planning came from his concern for a single individual, a work experience client who was working at the Molalla Service Center. The client, Ms. Polly Faust, was handicapped and over 60 years of age. It was clear to Mr. Townsend that there was no job for Ms. Faust to go to when her work experience position terminated. He devised the idea of the MMCP as a means of providing her with a permanent job.

Ms. Faust had been placed on a work experience contract as a quilt-maker with the Molalla Service Center. Her assignment was to teach handicapped and home-bound individuals to make quilts. Each person receiving the training would make two quilts, one for her own use and one for the center to give to some other needy person. The Molalla Mountain Community Project was seen as a way to turn Ms. Faust's quilt-making activities into a self-supporting business. With this idea in mind, Mr. Townsend contacted a number of other agencies to secure their support for the development of the project.

The other agencies whose involvement was important to the success of the program were the Molalla Service Center, which would serve as the parent organization of the Molalla Mountain Community Project; the Community Action Agency, of which the Molalla Service Center was a local branch office; the state of Oregon's Department of Vocational Rehabilitation (VRD), whose support for job placements and training for the handicapped was necessary; and the Innovative Services Division of the Department of Vocational Rehabilitation, an office with state-wide programs and funds and services available for special projects.

The situation in Molalla did not seem to promise much hope of success. The MSC's parent organization, the community action agency, had recently decided to cut in half its funding for the center. This was done to encourage the center to move toward self-sufficiency. The CAA's board of directors was considering an additional 10 per cent cut in funding. It was clear that the CAA had to be involved in any developmental plans.

Mr. Townsend led the planning effort. During the summer of 1978 he met with the coordinator of the MSC and with Ms. Faust to discuss the idea of establishing a quilt-making business at the center. Both responded favorably. Mr. Townsend realized that Ms. Faust would be eligible for servics from the Vocational Rehabilitation Department. However, the Molalla Service Center was not eligible to receive VRD funds. To achieve eligibility it was necessary to adopt a new set of by-laws and articles of incorporation and thereby establish a community-based organization emphasizing the provision of employment and training services for handicapped, home-bound, and senior citizens. It was this need for a new organization with new by-laws that suggested the creation of the MMCP.

Before meeting with the CAA and the board of directors of MSC to suggest the creation of the MMCP, Mr. Townsend decided to determine whether VRD would be willing to support the project. He hoped to secure VRD's support as an added incentive to the CAA and MSC boards to support the idea.

Mr. Townsend met with officials of VRD in August, 1978. He explained the nature of the population to be served and the project. The agency officials agreed to support the project with materials and equipment needed to establish a self-supporting business.

Later in August, Mr. Townsend met with the board of the Molalla Service Center. He told them of the opportunity which would be provided by the MMCP and promised to seek the support of the CAA's board and director if the board of the MSC agreed to participate in the development of the MMCP. The MSC board agreed.

The next target was the local Work Incentive Program (WIN). WIN officians made no specific promises and in fact never contributed to the development of the project, but they promised Mr. Townsend to consider participating on a case-by-case basis. He used that statement of support in his discussions with the CAA.

Mr. Townsend then contacted the director of the community action agency. He asked the director to commit the CAA to continue funding MSC without the additional 10 per cent cut in its budget if the MSC board voted to establish the MMCP. The director agreed and assigned a member of his staff to work with Mr. Townsend on the development of the proposal. Ms. Elise Lunes of the CAA worked with Mr. Townsend on the development of a statement of goals and helped seek additional funding for the project from CAA's regional office.

With the CAA director's commitment to maintain funding, Mr. Townsend returned to the executive board of the MSC to seek its agreement to establish the Molalla Mountain Community Project. The board voted to appoint itself as the board for the new MMCP and to direct the MSC staff to proceed with the development of by-laws and the incorporation of the MMCP. Immediate plans for the organization called for the development of a quilt-making and marketing business which would employ handicapped and homebound individuals in the Molalla area. In addition, tentative plans were made to secure a contract from the U.S. Forest Service for participants in MMCP to produce wooden signs for Forest Service use in its parks and other properties in the State of Oregon.

This planning stage took approximately four months. Plans focused on the use of labor resources available in the program area. The purpose of the program was to put those resources to work. Other resources would have to be acquired: sewing machines and fabric would be needed for the quilt-making business. Subsequently, routing equipment and lumber would be needed for the sign-making project. The involvement of the

Department of Vocational Rehabilitation suggested that agency as a source of both equipment and supplies. Although VRD was originally included as a source of funds for wages, it was soon seen as a likely source of other resources as well.

It is apparent that the planning process was based on the efforts of one individual who filled the role of intermediary which has been identified as an important part of the development process. Mr. Townsend focused the resources and ideas of several individuals from a number of agencies on the creation of the plans for the MMCP.

V. PROGRAM DESCRIPTION

The objectives of the economic development program were straight forward, to provide employment and either economic self-sufficiency or reduced economic dependence among handicapped and home-bound individuals. Achievement of these objectives suggested adoption of the following objectives as well: The creation of a new non-profit organization dedicated to providing employment for the handicapped, home-bound, and senior citizens, and the development of cottage industries based on craft skills.

The definition of these objectives resulted from Mr. Townsend's initial determination to achieve a single simple objective: the provision of continued employment for a single client when her work experience funds were exhausted. From such a modest beginning came a model for the creation of organizations able to provide employment through the making and marketing of crafts products by individuals who do not have access to employment opportunities outside their homes or their immediate rural environments.

VI. IMPLEMENTATION PHASE

The project began operation in October, 1978, with the transition of Ms. Faust from work experience to an OJT contract jointly-funded by CETA and VRD. The project was housed in the offices of the Molalla Service Center. Funding for rental of existing space was provided by the community action agency.

Once the local VRD office had certified Ms. Faust's eligibility for departmental funds, agency officials referred Mr. Townsend to the Innovative Service Division, an office of VRD with statewide programs. Innovative Services was able to focus its resources on home-bound citizens, a group to which VRD had not previously provided services. Innovative Services helped Mr. Townsend and MMCP secure donations of fabrics from clothing manufacturers in the Portland area. In addition, VRD contributed $100 for the purchase of a sewing machine and $185 per month for six months for the purchase of thread, yarn, needles, and other materials.

The director of the MSC, whose position was funded by the community action agency, became the director of the MMCP. She was responsible for the day-to-day operation of the program, including the identification of potential participants, the organization of training sessions, and the marketing of quilts.

It is important to note that the MMCP represented a major change in the philosophy and activities of the Molalla Service Center. Until the creation of the MMCP, the MSC had been a service organization primarily involved in the provision of food and clothing to needy individuals. It was now required to focus on economic development and the provision of employment to those same individuals.

To help with the new undertaking, Mr. Townsend sought technical assistance for the staff and board of the MMCP. He secured assistance in marketing, record keeping, and small business procedures from the Small Business Administration. He also secured the assistance of a county legal aide in drawing up the by-laws and articles of incorporation for the project.

With the project in operation, Mr. Townsend met again with the board of directors of the CAA. He asked that the board not cut an additional 10 per cent from the MSC's funding at the crucial point in the development of the MMCP. With the support of the CAA director for the request, the board agreed not to cut the Center's funding.

Additional help was secured from the Clackamas County Community College, whose president was strongly committed to helping seniors and handicapped citizens. With his support, the College promised to print business cards for the project, to help with some fund-raising activity, and to use the kitchens of the Community Schools operated by the College to test recipes for a planned MMCP cookbook.

After garnering so much initial support, the program began to have problems. For example, because of medical examinations and related assessments, VRD often required up to two months to certify individuals as eligible for VRD support.

Together, VRD and CETA funded the OJT position for Ms. Faust. CETA also provided PSE funds for a number of other staff people at the MMCP and work experience funds to help support some of the quilt-making trainees. CETA and VRD had a long history of joint-funding for single positions; they did not have to overcome any hostilities or suspicions in order to implement this particular project.

During a period of significant management problems in the project, Mr. Townsend helped MMCP to re-organize administratively. His assistance came at a crucial time, and he can be credited with providing leadership for the project to keep it going until the CAA board of directors, at Mr. Townsend's request, voted to reestablish direction at the Center.

VII. PROGRAM OUTCOMES

The Molalla Mountain Community Project is a small scale project. Its objectives included the provision of a few jobs to handicapped and home-bound individuals who otherwise would remain unemployed and unemployable. While the project was expected to contribute significantly to the quality of the lives of its participants, it was not intended to have any measurable impact on the economy of Molalla or Clackamas County. To date, the project was succeeded in achieving Mr. Townsend's original objective: the provision of employment to Ms. Faust. She has continued to be employed by the project as an instructor and quilt-maker. However, because of limited funding, she now is being paid on a commission based upon the number of quilts sold. Because of the limited activity associated with the project, sales have been limited and her income has been limited as well.

Other participants in the program have learned the skill of quilt-making and have earned some money from selling quilts.

The creation of the Molalla Mountain Community Project has provided additional employment for a marketing specialist. It has also resulted in the hiring of a product developer, an indication of the changed focus of the MSC and its commitment to the new goal of fostering economic development in addition to providing social services for the community.

The major contribution of the project has not been a significant increase in job opportunities in the Molalla area. Rather, it has been the development of a model for potential use elsewhere. It suggests the feasibility of creating craft-based cottage industries in rural areas and using funds made available through vocational rehabilitation agencies to train home-bound and handicapped individuals in rural areas to participate in those cottage industries.

VIII. SUMMARY

This case study illustrates the importance of two points. First is the important role that can be played by an intermediary whose primary goal is the fostering of economic development and job creation in rural areas. Mr. Jon Townsend demonstrated that an employee of a CETA agency can use his position to involve several agencies in a rural economic development effort, including agencies which have not previously addressed the employment problems of poor, handicapped, and other disadvantaged people in rural areas.

The other major point to be drawn from this case is the importance of management to the success of a development project. Even with the availability of markets, materials, manpower, and money, project management makes a significant difference. With a great deal of cooperation and good will from other agencies, the lack of adequate management at the project site undermined its effectiveness during its first months of operation. The success of its new management team has not yet been decided, but the promise is there.

Throughout the planning and implementation stages, CETA's primary contribution was to provide administrative and management assistance to project personnel. CETA has made available to the MMCP Work Experience, PSE, and OJT funds needed to support the project. These monies have been used both to provide the administrative staff for the project and to support participants until their eligibility for VRD funding has been established. In addition, CETA and VRD provided the initial funding for the women hired to train others in the craft of quilt-making.

Case Study:
OUTDOOR VENTURE CORPORATION
KENTUCKY HIGHLANDS DEVELOPMENT CORPORATION
Stearns, McCreary County, Kentucky

EMPHASIZING THE DEMAND SIDE OF A RURAL LABOR MARKET, KENTUCKY HIGHLANDS INVESTMENT CORPORATION SPAWNS BUSINESSES THAT HIRE THE UNEMPLOYED AND ECONOMICALLY DISADVANTAGED, SOME AFTER CETA TRAINING. KHIC's SHINING EXAMPLE, OUTDOOR VENTURES, MANUFACTURES CAMPING TENTS AND EMPLOYS 180 PERSONS IN UNSUBSIDIZED JOBS IN STEARNS, KENTUCKY.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Outdoor Venture Corporation was the second major program developed by the Kentucky Highlands Investment Corporation (KHIC). (Possum Trot Corporation was the first program developed by KHIC and is discussed in another another case study.) Outdoor Venture has been KHIC's most successful venture in terms of jobs and sales. In 1972 KHIC contracted with a group of entrepreneurs to locate in the KHIC service area and to establish a tent manufacturing facility. KHIC provided initial financial backing and other services to help the new venture succeed. Three years after it was established, Outdoor Venture moved into a new plant. Today the tent-making firm employs 180 workers and boasts of over $8 million in annual sales. In addition to the resources provided by KHIC, Outdoor Venture used the resources of CETA to develop its labor force, and the firm received a loan from the McCreary County Industrial Development Corporation which was established with the assistance of KHIC.

B. Relevance to Other Area Economic Development

Outdoor Venture is one of eleven major businesses developed by KHIC. These eleven projects currently employ over 400 workers in the KHIC service area.

Outdoor Venture has established its own subsidiary company in McCreary County, the American Bag Corporation, which manufactures sleeping bags. In addition, Outdoor Venture has obtained an interest in a North Carolina firm whose products complement Outdoor Venture's product line.

C. This Project and the Five Ms

Money for establishing Outdoor Venture was provided by Mr. J.C. Egnew and his co-entrepreneurs in the venture and by KHIC in the form of a $100,000 purchase of common stock. Mr. Egnew and his management group negotiated the deal with KHIC because they had some difficulty in generating enough investment on their own to leverage the additional investment needed. Management of the venture has been provided by Mr. Egnew ever since its inception, with some technical assistance from KHIC. Mr. Egnew had been an executive of a camping equipment firm prior to this involvement with Outdoor Venture. Manpower has been made available through CETA which provides OJT for workers. McCreary County suffers high unemployment and has a large, unskilled and unemployed source of manpower. Materials for the venture initially involved a grocery warehouse into which the tent-making operation moved.

D. Preliminary Assessment of Success

The success of Outdoor Venture in McCreary County can be attributed largely to the entrepreneurial talents and managerial skills of Mr. J.C. Egnew. His decision to go into business for himself and to form a management group of like-minded businessmen was the fortuitous beginning of Outdoor Venture, and it has been Mr. Egnew who has guided the venture to success. The success is due, too, to KHIC's willingness to take a new approach to job creation by stressing the "investment corporation" in its name. KHIC also insured the venture's stability by providing major financial backing. Outdoor Venture has become the most successful of KHIC's endeavors.

E. Summary of Difficulties or Advantages Project Development

There were two major dificulties which were confronted successfully in the initial stages of the venture. Even though Mr. Egnew seemed a good prospect to achieve profitability, he was not a highly attractive prospect for conventional lenders. The additional investment capital eventually was provided by KHIC. Another roadblock encountered was Mr. Egnew's apprehensions and doubts about the reliability of KHIC as a CDC and, at the same time, a holder of a substantial block of the firm's stock. Informal assurances were given and a formal investment package was negotiated, so that over a period of time Mr. Egnew began to feel secure with his new partner.

One of the most advantageous developments for Outdoor Venture was the establishment of the McCreary County Industrial Development Corporation which can make state funds available for investment in local plants and equipment.

F. Overview of the Case Study to Follow

The study that follows will describe the geographic area where Mr. Egnew located his firm, provide background on the people who live and work there, describe the planning and implementation activities of the agencies and individuals involved in generating the new jobs, describe the role of CETA in this economic development effort and describe the outcomes.

II. GENERAL BACKGROUND

The Kentucky Highlands Investment Corporation (KHIC) is a non-profit rural community development agency. It was established in 1968 by a group of CAP directors in southeastern Kentucky for the purpose of stimulating economic and job development. The Outdoor Venture Corporation was its second major venture and to date, its most successful. (A full discussion of KHIC is in the case study of Possum Trot Corporation.)

Currently, a major KHIC goal is to become fully independent of CSA funding for KHIC's basic development strategies and capable of pursuing those strategies without any outside operating funding at the end of calendar year 1980. During the same period, KHIC will seek to develop and refine a local, state, regional and national public relations network that will assist and support such activities as entrepreneur recruiting and resource development funding. Through its real estate subsidiary, KHIC will also participate in developing industrial sites, finance two building expansions for current KHIC corporate ventures, "complete one office building" and "build to suit a tenant in one county."

These goals supplement or complement the goals of making 13 new venture investments, sponsoring semi-annual workshops in entrepreneurship, contacting and screening potential entrepreneurs and continuing to monitor and provide technical assistance to existing ventures.

KHIC's operational goals are also targeted on providing planning and technical assistance in the areas of health care, housing and small farm operations in the service area. They further provide for extensive work developing community-based organizations in the nine counties served by KHIC.

However, the emphasis in KHIC's operational approach is on servicing the demand side of the labor market. This emphasis is not a denial of the obvious social problems signaled by the high incidence of unemployment, underemployment and poverty. Rather, it is a corporate assumption that demand side services are critical to job creation and general development -- that, in eastern Kentucky, solutions to unemployment, underemployment and poverty must begin on the demand side of the private sector market.

KHIC's concern with entrepreneurship provides a logical starting point in describing its operational approach. That concern is fundamental to both KHIC's view of rural development problems in general and KHIC's response to those problems. As KHIC President Thomas F. Miller explains in a paper, KHIC does not minimize the importance of other factors in bringing about rural development. But he concluded that "our principal development problem (in eastern Kentucky) is that an insufficient number of competent individuals successfully form new enterprises."

KHIC's operational approach responds to this problem by the semi-annual entrepreneurial training, by stressing the role of entrepreneurship in its community development activities, and by contacting entrepreneurs, literally by the hundreds, through public relations and referral programs. These operations not only provide a generalized response to the problem identified by Mr. Miller, they also support the venture capital investment strategy. That strategy requires that KHIC identify and screen hundreds of entrepreneurs to produce even a modest number of venture capital investment opportunities.

The need for such large numbers of prospects flows from the obvious limitations posed by KHIC's service area as well as by the strategy itself. For in order to generate a high ratio of jobs to investment in each venture and to assure that the area's labor surplus can compete for those jobs, KHIC invests only in low technology or labor intensive ventures. KHIC compounds this limitation by limiting its investments to ventures with a demonstrable potential for profitability. These constraints created by the strategy are further compounded by the limitation that ventures must locate in the KHIC service area, nine rural eastern Kentucky counties.

KHIC must be on a constant search for potential entrepreneurs to come up with prospects who can meet the labor intensive requirement, demonstrate a potential for more than marginal profitability in a rural setting, and find the inducement of KHIC funding attractive enough to offset any competitive location opportunities. Mr. Miller says a key in this process for KHIC Is identifying a "salable item" or idea. The extensive entrepreneurship activities offer a means of turning up such items or ideas as well as the entrepreneurial talents to produce and market them. The "sales" phase of KHIC's venture capital investment strategy is not simply an extended fishing expedition for entrepreneurs. As the current goals indicate, KHIC carries on a sophisticated promotional operation. It also pursues investment opportunities in other ways, for example, through ongoing studies of market opportunities and possible acquisitions.

In following through on its investment strategy, KHIC works with entrepreneurs to develop an appropriate investment plan. If this plan can be carried out entirely through conventional lending sources, KHIC will continue to offer technical assistance to a new venture. Otherwise, it will bow out.

KHIC's own investments take the form now of minority stock holding and/or various types of loans that can "leverage" conventional loan funds. Although KHIC continues to own majority control of Possum Trot (subject of a separate case study) and the two service-type operations -- Kentucky Highlands Real Estate and Mountain Ventures -- Mr. Miller's aim is to leave the operation of new ventures to private entrepreneurs so KHIC can concentrate on developing new ventures.

A KHIC-approved business plan is required for each new venture before funds are finally committed. KHIC's stock purchases include a provision (as yet never exercised) for the venture to buy back the stock after eight to ten years. Once new ventures are launched, KHIC closely monitors operations. Staff specialists are available to work with management on issues ranging from routine management to market analysis to provision for further capital needs. KHIC keeps close tabs on the balance sheet of each new venture. In some cases, it insists on being represented on a new venture's board of directors. But essentially control and responsibility are left to the entrepreneur.

In focusing its services on the demand side of the labor market -- individual entrepreneurs and mangement groups -- KHIC does not ignore labor supply issues. Its technial assistance includes supply side study, alerting venture operators to useful employment and training services and assisting management through introductions to appropriate representatives of the Employment Service, CETA program operators, vocational school representatives and others.

But as Mr. Miller explains, KHIC leaves utilization of these services to management. Mr. Miller feels that KHIC, itself, might have to work more closely with employment and training programs if it were trying to develop ventures that required higher skill levels. Currently, though, he believes that the emphasis on labor-intensive ventures obviates any need to tie labor supply development directly with planning to implement KHIC's venture capital investment strategy. Involvement with CETA is thus left to the new business.

What is important to that strategy and to the general goals of KHIC as a CDC is the community development effort that KHIC maintains. Here, as the current goals statement indicates, operations are not only designed to build community involvement and support for KHIC. They also are intended to spread the KHIC entrepreneurship message and encourage independent, local-level "enterprise formation." The KHIC operational approach is to promote and facilitate independent action by providing technical assistance. In practice, KHIC's community development staff often has to play a leadership role in building county development groups.

KHIC's operations are further diversified by its efforts to deal with special area problems, such as health care, housing and the economic viability of small farming. But in all these activities, operations reflect KHIC's basic concern with entrepreneurship and its capital investment strategy.

Just how KHIC's approach will be affected if it succeeds in becoming "fully independent" of CSA in carrying out its basic development strategies is difficult to determine. Mr. Miller suggests that this further evolution of KHIC's approach will simply afford it greater flexibility in developing investment packages and leveraging funds from other sources.

III. SOCIAL/CULTURAL ENVIRONMENT OF THE PROGRAM AREA

McCreary County, Kentucky, is the location of Outdoor Venture Corporation which has become KHIC's most successful venture in terms of number of jobs and sales. McCreary County is 418 square miles in size and borders Tennessee in the southeastern part of Kentucky. The county's population went from 12,548 people in 1970 to approximately 15,200 people in 1978. The principal communities of the county are Whitley City, Stearns, and Pine Knot; each community has a population of fewer than 2,000 people, and none of the communities is incorporated.

McCreary County lacks the relatively flat land found in Jackson County which is the home of Possum Trot Corporation; so agriculture has never been a major economic activity there. Mining and quarrying have been and continue to be more important than in Jackson County. But in McCreary, too, their importance has declined as resources have been depleted. Government has been the largest source of personal income in recent years -- accounting for more than 25 per cent of annual personal income in the county.

The area has obvious shortcomings. Sophisticated banking and other business ervices often are not available locally. Although I-75 and other road improvements have reduced the remoteness of the area, they have not eliminated it. Local government services are limited. The area's labor surplus lacks industrial experience and often has difficulty adjusting to the discipline of production jobs -- even the unskilled variety.

In terms of both median family income and per capita personal income, McCreary is Kentucky's poorest county. For 1977, McCreary's median family income was $5,500 compared with $10,009 for other non-metropolitan counties in Kentucky and $14,900 for the nearest Standard Metropolitan Statistical Area (Lexington-Fayette). McCreary's per capita income for 1977 was $2,710 compared with $5,989 for the state as a whole and $6,840 for the Lexington-Fayette SMSA.

McCreary not only has Kentucky's lowest per capita income, but its per capita income also is increasing at a slower rate than for the state as a whole. Because of a relatively faster growth rate in McCreary (and eastern Kentucky in general), the county's total annual personal income has grown at a faster rate than for the state as a whole -- but not fast enough to improve the average economic lot of its increasing population.

Currently, there are 1,277 families including 4,774 people who are receiving food stamps in McCreary County. Aid to Families with Dependent Children goes to 433 out of 3,017 families in the county with payments totaling about $70,167 per month. All welfare payments in the county, excluding food stamps and social security, total approximately $2 million per year.

Median educational attainment for adults over 25 in McCreary County is among the lowest in the state. In McCreary, the median figure for males is 7.7 years; the figure for females is 8 years. State Vocational Education Bureau figures indicate that 608 persons in the county have had some form of vocational education. There are no vocational-technical schools or vocational education centers in the county, although adjoining counties have such facilities.

As the educational attainment figures indicate, the labor force in McCreary is made up largely of unskilled men and women. Labor market demand in the county is primarily for unskilled workers. Excluding mining and agriculture, there are currently six major private sector employers in McCreary County.

The largest of McCreary's manufacturing employers is a shirt making firm that employs 285 people. Outdoor Venture and its subsidiary, the American Bag Company, employ slightly more than 200 between them. A woodcraft firm and two building supply companies employ another 100 persons. All these businesses involve essentially unskilled jobs. Two of the six, Outdoor Venture and American Bag, are KHIC ventures.

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McCreary County has some relatively substantial mining operations but because of "confidentiality" requirements where the number of firms is three or less, data is difficult to obtain. The situation is made more difficult at the moment because of a law suit challenging the status of a Tennessee-based, closely held mining operation in McCreary County.

Current estimates put the McCreary County labor force at 4,405 workers of whom 4,075 are employed and 330 are unemplyed (7.5 per cent). An additional 370 persons are underemployed, i.e., employed part-time but seeking full-time employment. The county has limited resources and limited leadership in dealing with the employment problem.

There are a few employment and training programs which operate in the county. In addition to vocational training schools in adjoining counties, CETA programs and sevices are provided for McCreary County by the substate balance-of-state region administered by the Somerset Manpower Services Office (Kentucky Job Service). There are no planned CETA funds or positions specifically set aside for McCreary County. The 10-county Lake Cumberland area, which includes McCreary, had $241,762 allocated for CETA Title II A&B activities, $613,398 for Title III in-school (YETP), $142,695 for Title III out-of-school (YETP) during during Fiscal 1979. It had some 554 positions for Title II A&B activities. McCreary County's share of these activities could be determined only by an extensive file search at the end of the fiscal year. A review of OJT contracts in Lake Cumberland showed, however, that McCreary County had access to at least one-tenth of 258 OJT enrollments planned for Fiscal 1979.

IV. PLANNING PHASE

Planning for Outdoor Venture Corporation, KHIC's second major venture, began in 1972 through another fortunate discovery. A representative of the Institute for New Enterprise Development introduced the renamed Kentucky Highlands Investment Corporation to Mr. J.C. Egnew, an executive with a camping equipment firm in Knoxville, Tennessee. Mr. Egnew was interested in forming a management group to start its own business.

He was an ideal prospect for KHIC, which was ready to take a new approach stressing the "investment corporation" designation in its name. As President Miller explains, Mr. Egnew knew the business. His operation would be relatively labor intensive. And while Mr. Egnew seemed a good prospect to achieve "profitability," Mr. Miller said he was not a highly attractive prospect for conventional lenders. In Mr. Miller's view, tent manufacturing just did not promise a high enough rate of return to interest conventional lenders. (There is some evidence that Mr. Egnew and his group could not generate enough investment on their own to leverage the additional investment they needed.)

KHIC's approach to Mr. Egnew was the obverse of the original approach of Job Start. While job creation remained an implicit aim, KHIC sought to pursue that aim by facilitating private sector development, ownership and operation. There would be strings attached to using funds drawn from federal tax dollars, but otherwise KHIC's role would be to attract the Egnew group into the service area by meeting its venture capital needs and providing other services that would help the new venture succeed.

The approach finally paid off. Yet, Mr. Miller says Mr. Egnew had his doubts about relying on a CDC. He was less put off by the prospect of having to locate in the KHIC service area than by having a substantial bloc of his firm's stock held by a non-profit corporation. Under Kentucky law, if KHIC should shut up shop, its assets would be distributed to educational or other non-proit agencies whose identity would not be determined until and unless the need for such a distribution arose. That possibility -- however remote -- aparently worried Mr. Egnew.

In most other respects, however, Mr. Egnew's dealings with KHIC followed lines that were not untypical of dealings with a private sector venture capital investor. Once KHIC assured itself of the entrepreneurial and management abilities of the Egnew group, it worked with the group on a business plan. This plan served as a basis for KHIC's initial investment and for the initial operation of the new business.

The key actors in the original planning were KHIC and the Egnew group plus conventional lenders. Later in the development of Outdoor Venture, KHIC assisted in the creation of the McCreary County Industrial Development Corporation which could tap funds available from the state for investment in local plants and equipment.

Initial financing included a $100,000 purchase of common stock. This minority stock purchase was made with an agreement that will enable KHIC to sell the shares back to the firm with a profit for KHIC by 1982. In addition to the stock purchase, KHIC also made Outdoor Venture a long-term subordinated loan of $120,000. Details of the investment package -- including the interest rate -- were developed through negotiation.

Planning for Outdoor Venture did not end with the initial investment in the company in 1972. KHIC continued to work with management -- as it does with all ventures -- providing technical assistance for operations and determining additional investment needs.

V. PROGRAM DESCRIPTION

During the initial stages of the project, Mr. Egnew got together with the Somerset Manpower Services Office to discuss the possibility of using CETA funds to train the firm's personnel. They negotiated a contract for on-the-job training for 10 persons employed at Outdoor Venture. Since that time, eight OJT positions have been negotiated for Outdoor Venture's subsidiary, American Bag. Work experience programs also were provided for potential employees who had no previous industrial experience for the demands of production jobs. Mr. Egnew has expressed satisfaction with the present arrangement and with the results of the CETA-funded training at his plant.

VI. IMPLEMENTATION PHASE

Outdoor Venture has shown steady growth in business -- without a major downturn in sales. Starting in a grocery warehouse in 1973, it had gross sales for its first year of $880,000 while employing 37 people. With a second KHIC subordinated loan of $250,000 and another $130,000 channeled from KHIC through the McCreary County Industrial Development Corporaiton, Outdoor Venture moved into its own new plant in 1975. Gross sales for that year reached more than $4,800,000 and employment topped 128. While the employment level has remained relatively stable since 1976, annual sales have increased by more than $3,300,000.

In addition, Outdoor Venture has spawned its own subsidiary in McCreary County, the American Bag Corporation -- a manufacturer of sleeping bags. It has obtained an interest in a North Carolina firm, whose products complement Outdoor Venture's product line.

Both Possum Trot (another study) and Outdoor Venture were developed in pursuit of KHIC's implicit commitment to job creation. Since 1973, however, job creation has become a by-product of efforts to achieve sales and profitability. While KHIC has maintained both monitoring and technical assistance roles vis-a-vis both corporations, essential responsibility for all facets of their operation and futher development has remained with their management teams.

VII. PROGRAM OUTCOMES

Outdoor Venture's impact has been significant as a result of its large work force drawing an annual payroll in excess of $1 million. In the firm's hometown of Stearns, it is possible to identify at least one cafe that would not exist without Outdoor Venture. The firm has not attracted suppliers to the area, but it has produced its own subsidiary, American Bag, in the nearby town of Pine Knot.

All of this has produced some direct increase in economic independence, including the removal of an estimated 45 families from the county's welfare roles. Mr. Miller and others say it also has provided a major stimulant to the area's belief in KHIC's development approach and in its own capacity to deal with development problems.

VIII. SUMMARY

The entrepreneurial talents and business acumen of Mr. J.C. Egnew were to Outdoor Venture what the invention of a unique toy design was to Possum Trot -- an initial impetus toward success. Mr. Egnew proved to be the guiding force in the firm's struggle to success. KHIC not only proved that as a CDC it is a reliable business partner, but it also proved that it can provide valuable assistance in addition to funding. Outdoor Venture has become KHIC's shining example of its "investment corporation" approach. The present tent-making facility, which was built in 1975 as a result of company expansion, operates with a workforce of 180 persons, many of whom have received on-the-job training from CETA. Outdoor Venture and its subsidiary, American Bag, are responsible for not only increasing workers' incomes, but also providing training and jobs for many unskilled people in the county.

Case Study:
OLD BEDFORD VILLAGE
SOUTHERN ALLEGHENIES PLANNING
AND DEVELOPMENT COMMISSION
Bedford, Pennsylvania

FROM THE EFFORT OF A RURAL COMMUNITY TO OBSERVE THE NATION'S BICENTENNIAL AND FROM THE VISION OF A DEDICATED RESIDENT HAS COME OLD BEDFORD VILLAGE, AN AUTHENTIC RESTORATION OF A 200-YEAR-OLD PENNSYLVANIA TOWN. USING GIFTS OF OLD BUILDINGS, ARTIFACTS AND EQUIPMENT, MOVED, RESTORED AND REASSEMBLED AT THE SITE, OLD BEDFORD VILLAGE HAS GROWN RAPIDLY. CETA FUNDS PROVIDED CONSTRUCTION AND MAINTENANCE WORKERS AS WELL AS SUMMER EMPLOYMENT FOR DISADVANTAGED YOUTH. OLD BEDFORD VILLAGE IS NOW A SOURCE OF PRIDE AND OF JOBS FOR THE RESIDENTS OF BEDFORD COUNTY.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

In observing the nation's bicentennial in 1976, many American cities and counties produced pageants, restored historic buildings and made other efforts aimed, in most instances, at emphasizing their role during the American Revolution. Many of these efforts involved CETA participants, and many generated jobs before and during 1976. In Bedford County, Pennsylvania, however, an entire historic community - Old Bedford Village - was created as a permanent tourist attraction and a long-term employer. Today, as many as 120 persons work at Old Bedford Village. While several of the workers are still subsidized, gate receipts, growing from $52,500 in the opening year, 1976, to $181,000 in 1978, provide salaries for 40 persons. The number of unsubsidized jobs is expected to continue to grow as more and more tourists learn that old Bedford Village is hardly half a mile from the Pennsylvania Turnpike and that the scenery in the Southern Allegheny Mountains is beautiful. The creation of Old Bedford Village has involved, among others, the Economic Development Administration, the Appalachian Regional Commission and the Pennsylvania Bicentennial Commission. But the most important agency was the Southern Alleghenies Planning and Development Commission, which serves Bedford and five other counties in south central Pennsylvania. The commission has the unique distinction of being an EDA-designated development agency, an A-95 regional clearinghouse, a CETA prime sponsor serving the six-county consortium that includes Bedford County, the site of Old Bedford Village, and an Appalachian Regional Commission development district.

B. Relevance to Other Area Economic Development

Probably the most significnat element in the Southern Alleghenies situation for others interested in economic development is the commission's own published statement of purpose: "The business of the Southern Alleghenies Commission is providing a better climate for the effective manager, the effective investor, the effective entrepreneur. We are committed to undertaking those tasks which pay off in permanent jobs with profitable industries, because job creation for the people of these six counties is our mission. We believe the only way to succeeed in job creation is by enabling the private sector to be profitable." The approach of the Southern Alleghenies Commission is one of complete and effective coordination and cooperation between those things public agencies can do and those things private businesses can do. Because of its rare combination of missions -- promotion of economic development and operation of traditional CETA programs -- the commission is able to blend resources and efforts in a unique way. While this particular case study focuses on Old Bedford Village, a nonprofit organization, the resulting unsubsidized jobs are there in large measure because of the Southern Alleghenies Commission's recognition of the long-term economic potential of the project and its willingness to invest public service employment funds in creating the village. Moreover, a major impetus for the building of Old Bedford Village was the need to shore up the area's private, tourist-dependent, service-oriented businesses -- restaurants, motels, and service stations. As the second case study involving the Southern Alleghenies Commission shows (Bleyer Industries of Mt. Union, Pennsylvania), the commission works equally well with private businesses. So determined and aggressive is the commission, in fact, that it is one of the few (if not the only) CETA prime sponsors paying the salary of a full-time industrial developer with CETA administrative funds. The commission's Small Business Development Center also uses CETA funds to promote new jobs by teaching business management skills, marketing, financial analysis and production controls.

C. This Project and The Five Ms

The Five M's -- money, management, manpower, materials and market -- did not come together in quite the traditional patterns in the creation of Old Bedford Village. Yet, each was there -- or is there now. Manpower was readily available in Bedford County in 1974 and 1975 when the project got started. One estimate is that unemployment and serious underemployment, caused by the oil embargo of 1973 and the resulting cutback in the travel and tourist industries, hit as many as one in five workers in Bedford County. CETA provided money for public service employment positions, and money came from the county (to buy the land) and from several other agencies as will be detailed in sections that follow. But money also was obtained later, from visitors who came to see what had been created -- a replica of a Pennsylvania village of two centuries ago. This devlopment also involved a market, one captured out of some Americans' fascination with the way of life of their ancestors but one that did not exist specifically until Old Bedford Village was conceived, assembled and advertised complete with billboards, brochures at information stops and bumper stickers. Materials -- the old buildings themselves -- were in almost every instance given to the village by the individual owners who preferred to see them moved, restored and preserved rather than left unprotected in fields to decay. Management was provided in a broad supporting sense from the Southern Alleghenies Commission, but the determined, continuing personal management came from Mr. Robert K. Sweet, a minister and former county commissioner who decided to try to make a lasting dent in unemployment as the bicentennial was observed. He has devoted much of his time to the creation of Old Bedford Village for the last five years and today is its executive director.

D. Preliminary Assessment of Success

Paid admissions at Old Bedford Village amounted to $52,500 from the opening on July 4, 1976, to the end of 1976. In 1977, the total was $122,000, and in 1978, it was $181,000. The cost and availability of gasoline sharply influence the travel of vacationers and directly affect Old Bedford's gate receipts. One projection, however, is for as much as $300,000 a year in paid admissions by 1980. Already, paid admissions provide unsubsidized salaries for 40 persons, artisans, craftsmen, sales persons, construction workers and maintenance workers. As the income from paid admissions grows, more and more unsubsidized jobs will be generated. The value of the village, itself -- which certainly is not for sale -- is several millions of dollars and growing.

E. Summary of Difficulties or Advantages in Project Development

The development of Old Bedford Village had one significant and continuing advantage -- the involvement and drive of Mr. Robert K. Sweet, a minister, former county commissioner and county treasurer, a widely known and respected figure whose motive was to help unemployed persons while improving the economy of Bedford County. His efforts, understood and supported by many Bedford residents, resulted in the gifts of old buildings and other equipment to help with the creation of the village. Mr. Sweet had been a member and former president of the board of directors of the Southern Alleghenies Planning and Development Commission; thus, his familiarity with the resources present in the commission staff staff and especially its ability to provide technical as well as

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moral support of various grant applications was another major advantage. The philosophy of the commission, so strongly focused on economic development and job creation, was also a principal advantage.

F. Overview of Case Study to Follow

The study that follows provides demographic information for the area, details the role of the Southern Alleghenies Planning and Development Commission as a CETA prime sponsor and economic development agency and explains how Old Bedford Village was created out of an idea and a $36,000 tract of land.

II. GENERAL BACKGROUND

The six counties that make up the area served by the Southern Alleghenies Planning and Development Commission are Bedford, Blair, Cambria, Fulton, Huntingdon and Somerset. Two counties, Cambria and Blair, have major urban centers -- Johnstown in Cambria County and Altoona in Blair County. The six counties have slightly fewer than half a million residents, but nearly 65 per cent live in Blair and Cambria counties. The entire area is mountainous, and the other four counties are sparsely settled. Bedford County, for example, has 43,793 residents. Historically, the economic focus of the six-county area has been on Altoona in Blair County where the Pennsylvania Railroad was once the major employer, and on Johnstown in Cambria County where the steel industry provided the greatest number of jobs.

Since 1952, when the Pennsylvania Railroad pulled 18,000 jobs out of its Altoona yards and shops, there has been continous effort toward economic development and job creation, starting first at a "Jobs for Joes" level. Asked how that effort was funded, one person familiar with the history said simply, "It was done a dollar at a time." Out of that crisis grew Altoona Enterprises, the local economic development organization, which has had some modest successes over the years. Its counterpart was Johnstown Area Regional Industries. Both agencies were funded by private donations and by some contributions from county government.

Bethlehem Steel started cutting jobs in its aging Johnstown plants in 1970. That was followed by the 1975 recession and the loss of up to 3,000 jobs when the Conemaugh River again flooded the Johnstown area in 1977. Whatever the Pennsylvania Railroad pullout had not coalesced, the beginning of the Bethlehem Steel cutback did. It was in this general context that the Southern Alleghenies Planning and Development Commission got its start in 1968. At first, people shied away from federal money. The Economic Development Administration had come into the area first in 1967 offering a grant to spark a regional development agency. But it was a year later, during a period of continuing economic decline, that the elected officials came together to form the Southern Alleghenies Planning and Development Commission. Their fears of big government, their concern over creating another regional layer of government and their desire to steer clear of any federal controls all apparently gave way to a desire to find jobs for the unemployed, to keep existing stores and service businesses open and to keep the local tax base from evaporating. Thus, in 1968, Southern Alleghenies Planning and Development Commission became one of the earliest organized, funded and functioning regional development agencies. Each of the six counties in the district had (and still has) its own development agency. Business prospects that are first contacted through the regional commission are systematically (and fairly, acccording to those questioned) referred in turn to each county which then has an opportunity to do its own brand of persuading. The Southern Alleghenies Commission, however, does not involve itself with an inter-county decision. Its staff keeps its eyes on the entire region, believing that a job is a job and a new one anywhere in

Pennsylvania's Southern Allegheny mountains is to some degree a boost to the entire area. With this approach, it was not surprising, that when CETA came in 1973, two eligible prime sponsors -- Blair and Cambria counties -- chose to stick with the regional organization, and the other four counties, Bedford, Fulton, Huntingdon and Somerset, chose to join in a CETA consortium rather than to be served by the Pennsylvania Balance of State. The Southern Alleghenies Planning and Development Commission was designated as the consortium's CETA administrative agent, and the way was clear for the merging of economic development efforts and CETA resources into a single, cohesive agency that already had the trust and confidence of local elected officials and had been mainly responsible for creating the very positive atmosphere for cooperation.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The Southern Alleghenies region of Pennsylvania is beautiful, rugged and isolated. Johnstown is about 60 miles east of Pittsburgh, and Altoona is nearly 200 miles west of Philadelphia. The area has little of the urban character that marks Pittsburgh or Philadelphia for which Pennsylvania is perhaps better known. And it lacks, too, some of the more pastoral settings to be found to the east in the Pennsylvania Dutch Country around York and Lancaster. Blair and Cambria county economies grew out of the backgrounds of coal mining, the making of steel and of railroading. The southern tier of counties, Somerset, Bedford and Fulton, all of which touch the Mason and Dixon Line, are bisected by the Pennsylvania Turnpike, the state's major east-west corridor. The two major urban centers, Johnstown and Altoona are north of the turnpike by 20 and 30 miles, respectively. Thus the three southern counties are essentially rural. A major exception is the strip of turnpike-oriented motels, restaurants, service stations and similar businesses which runs across portions of each county.

Bedford County, location of Old Bedford Village, has 43,000 residents, yet its largest town is the county seat, Bedford, with a population of 3,302. Median family income of $7,562 is 79 per cent of the state-wide figure, a fact reflected in a substandard classification for 11.9 per cent of the housing units compared to 4 per cent for the state. This income ranked Bedford near the midpoint, at 1,508, among 3,143 U.S. counties. The 1970 census said 7.9 per cent of all Pennsylvania families had below poverty incomes, while Bedford's share was 12.6 per cent. Bedford's reported unemployment was in the 6 to 7 per cent range in the early 1970's, but there are many who contend that the combination of the rural nature of the area and the fierce pride of many of the residents who do not seek placement help from the Employment Service or help of any sort from any other public agency masks the seriousness of the lack of employment opportunities. Unemployment was offically recorded at 11.6 per cent in 1976, 11.8 per cent in 1977, and 12.2 per cent in 1978. In March of 1979, the figure wsa 16.2 per cent with 3,100 persons out of work. Another indication of the underemployment contention is found in the fact that while 12.6 per cent of Bedford's families have below poverty incomes, another 7.1 per cent are near the poverty level. Thus a fifth of all families are classified as poor or near poor. In Pennsylvania, that total is 11.7 per cent. Social Security, AFDC and supplemental income recipients constitute 21.6 per cent of Bedford's residents. Of this group, 7,449 or nearly 89 per cent are receiving Social Security payments, an indication of an increasingly aging population that reflects the departure of the young to seek work elsewhere. Bedford County has a work force of nearly 16,000 persons, 1,000 of whom have government jobs. Some 52 manufacturing establishments, employing about 2,500 persons, have payrolls amounting to about $18 million annually. Bedford has more than 1,000 farms, only 11 of which have more than 1,000 acres. In

Pennsylvania, as a whole, food stores outnumber gasoline stations 148 to 100, but, indicating the significance of tourism and the economic impact of the Pennsylvania Turnpike, Bedford has a ratio equivalent to 77 food stores for 100 service stations.

IV. PLANNING PHASE

Mr. Robert K. Sweet set out to find a way to improve employment opportunities in Bedford County. His reasons were many. A county commissioner from 1968 to 1976 and county treasurer before that, he also was a minister and a man seriously concerned about good job opprotunities for his neighbors. While official unemployment rates were lower, Mr. Sweet believes actual unemployment in Bedford County was as high as 22 per cent in some periods in the early 1970's. But, whatever the actual unemployment rate, he remembers it as the highest of all counties in Pennsylvania. Trucking firms had moved out and with them 2,000 jobs and many of the trucking company employees. The nature of the tourist trade was also changing, as the old, elegant resort hotels were losing their charm. Between 1965 and 1970, 750 tourist-dependent jobs were lost in Bedford County. Service stations were closing. "It used to be that you never saw a vacancy sign," Mr. Sweet remembers of the string of motels along the Pennsylvania Turnpike. "But in 1973 or 1974, you could drive by and see only a handful of cars." This decline in business activity, aside from the job losses, posed another threat to Bedford. Business property is valued at a higher rate and yields more property taxes than do farms or residences. The tourist-oriented strip along the Turnpike coupled with the small town of Bedford business district traditionally paid about half the school taxes in the county. "They didn't mind," Mr. Sweet recalls about motel owners, "as long as they were full. But what to do at a full tax rate and half empty motels?"

"Just as we were talking of this, the CETA money came," he says of 1974 and 1975. By late 1974, in Bedford County, "We had already fixed up our covered bridges and done some road work." But there were no unsubsidized jobs for the public service employment participants to move into.

It was at this juncture that Mr. Sweet came up with the idea for Old Bedford Village, a nonprofit corporation that would assemble more than 40 authentic old buildings and recreate a 200-year-old Pennsylvania Village. Tied to the bicentennial observance of 1976, it became a natural focal point of community pride and participation, bringing both tourists and new jobs.

Mr. Sweet persuaded his follow commissioners to purchase the 72-acre site with $36,000 of county funds in 1974. Old Bedford now leases that land for $1 per year.

Turning to the Southern Alleghenies Planning and Development Commission, where he had previously served as a director and board president, and with approval of his fellow commissioners, Mr. Sweet sought major and crucial CETA public service employment allocations. Here, the fact that the Southern Alleghenies Commission was (and still is) the CETA prime sponsor for Bedford and five other counties caused the commission staff -- and, more importantly, the members of the commission's board of directors -- to be keenly aware of CETA-economic development linking possibilities. Of course, Mr. Sweet got the PSE participants. Looking back over the entire venture, he says he does not recall a time when he felt he could have effectively used much more help than he received.

What came after that first step was perhaps as much a matter of taking advantage of opportunities as they came along as of planning. In fact, when work first started, there was no written master development plan for Old Bedford Village. There was, however a plan to generate jobs there and at those closed service stations and half empty motels along the Turnpike. That plan was in Mr. Sweet's mind. The rest of the planning is adequately told by reviewing implementation steps in the section that follows the program description.

V. PROGRAM DESCRIPTION

The basic CETA programs involved in the creation of Old Bedford Village have been public service employment and summer youth employment. An average of 25 to 30 persons have been CETA participants steadily since January of 1975. The number of CETA participants goes up sharply during the summer as tourists arrive and economically disadvantaged youngsters join the Old Bedford Village staff. Altogether, Old Bedford Village has received $625,000 in CETA youth and PSE funds since 1975 and has had 334 different persons as participants. Mr. Sweet's records show 86 placements from that group. He believes many of them are using carpentry, masonry, craft, sales, or other skills acquired during CETA participation at Old Bedford Village.

VI. IMPLEMENTATION PHASE

By the time the first CETA PSE participants arrived at the site of Old Bedford Village in January of 1975, Mr. Sweet had already persuaded the U.S. Forest Service to mark diseased trees to be cut. To create a proper entrance to the village across a small creek beside Pennsylvania Business Route 220, Mr. Sweet had found a 125-foot covered bridge. It was on an abandoned section of a Bedford County road, so the county gave the bridge; moving it would come later. By July of 1975, owners of old cabins and similar structures had been persuaded to donate them, and Mr. Sweet was directing CETA PSE participants in reassembling them.

When groundbreaking occurred, also in July, 1975, another gathering was taking place four miles farther south on Route 220 at the small town of Bedford Springs. The Bedford Springs Hotel, itself a part of the county's history, is one of these once-great mountain resorts that used to attract vactioners from the cities for weeks during cool summers. At the hotel, the Southern Alleghe-

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nies Planning and Development Commission was holding one of its semi-annual meetings for its entire membership of nearly 300 persons.

At that crucial Southern Alleghenies Commission meeting was a representative of the Economic Development Administration, who was asked by Mr. Sweet to go to the Old Bedford Village site. "I want to show you," Mr. Sweet said to the man from EDA, "what we are going to build over the next 50 years." On the day of the visit, all that the EDA agent could say was that all funds for that year were committed; but, remembering the Old Bedford site and Mr. Sweet's determination, he called three days later to say that another proposed project had fallen through. A quick application from Old Bedford Village brought $272,000, enough to move the covered bridge and to reconstruct four houses and two school houses. Old Bedford Village was beginning to take shape.

Bedford's Redevelopment Authority was able to help with reconstruction of a few houses as long as actual living quarters were included. As a result, some of the reassembled homes have small apartments in the upper story, and some of the craftmen and other village workers live there.

In the summer of 1975, Mr. Sweet found an old barn and staged a rare event, a barn raising, with CETA summer youth participants doing most of the work. Few knew how to assemble a barn, so an 82-year-old Bedford man who did sat on a tall stool and told youngsters how to put it back together.

The Pennsylvania Bicentennial Commission provided $15,000 which was used to hire a professional firm to prepare a master plan for Old Beford.

The village opened formally for visitors on July 4, 1976. By the end of the year gate receipts were being used to acquire government surplus equipment, a bulldozer, a truck, and some maintenance machinery. Bedford citizens on occasion found themselves with old trucks that would not pass the road safety inspection and Mr. Sweet was quick to point out that missing headlights or a broken window were no hazard and no violation for equipment used only on Old Bedford Village property.

Probably one of the biggest breakthroughs came in 1976 when the federal government switched fiscal years from July 1 to October 1. This created a good bit of "fifth quarter" funding, including some for the Appalachian Regional Commission. From that agency, Old Bedford received $625,000 to promote crafts, and was able to begin to employ for the long-term the blacksmiths, masons and other persons who could both produce authentic goods for sale and teach others to do the same.

Help has continued to come from the community. Ladies stage ice cream festivals to raise funds. Other agencies help too, such as Green Thumb, which operates the Senior Community Service Employment Program in Bedford County, and has provided some 35 to 40 persons 55 and older to work half-time, many of them as knowledgeable, costumed hosts and hostesses.

Bedford residents "bring old furniture out of the attic," as Mr. Sweet describes it. All they ask is a plaque saying it once belonged to a parent or grandparent.

A pending EDA grant of slighlty more than $1 million will pay for a visitors center, a theater and a kitchen. Mr. Sweet sees these as the beginning of a small convention center, and he is looking into the possiiblity of a grant from the National Endownment for the Humanities to provide more training in arts and crafts and to study the history of clothing during the revolutionary period.

VII. PROGRAM OUTCOMES

Old Bedford Village has received the Pennsylvania Award of Travel Industry Excellence and was cited by the Pennsylvania Travel Advisory Council in 1978 for its "prominent contribution to tourism." The average craftsman is paid more than $4 an hour, many make $4.50 to $5. Apprentices earn $3 to $3.50 an hour. A total of 334 persons have gone through CETA positions, and 86 are counted as permanent placements. Another 35 were on the Old Bedford payroll in the summer of 1979, and 14 more were scheduled to be transferred from CETA in the coming months. Gate receipts are projected in the $300,000 range in 1980. Craft fairs and festivals are scheduled. Advertising, a part of the Southern Alleghenies Commission's area promotion, reaches many surrounding states. Markets for crafts are to be opened in Johnstown, Altoona and other places. No official value has been put on the village, but one knowledgeable source familiar with restorations suggests that $8 million would be a bargain purchase price for the land and the 44 restored buildings. The future promises steady employment for 100 to 125 persons.

Many of those motels along the Turnpike are doing better, and, says Mr. Sweet, "I can count at least four service stations that closed and were reopened. A lot of motels were spared."

VIII. SUMMARY

Mr. Robert K. Sweet, politician and minister, worked at the Old Bedford Village project until the end of 1976 without pay. He was determined to try to generate jobs while doing something to observe the nation's 200th anniversary that would last after July 4, 1976. Backed by an aggressive, cooperative Southern Alleghenies Planning and Development Commission, he was able to use CETA, EDA, Appalachian Regional Commission and other sources to turn a flat creekside site bought for $36,000 into a multi-million dollar historic restoration that is a lasting contribution to the community and a permanent boost to the economy of Bedford County.

Case Study:
SPRING LAKE FARMWORKERS HOUSING AND DEVELOPMENT PROJECT
UTAH MIGRANT COUNCIL
Spring Lake, Utah County, Utah

THE UTAH MIGRANT COUNCIL WANTED TO MOVE FROM TEMPORARY SUPPORTIVE SERVICES TO SUBSTANTIAL CONTRIBUTIONS TO THE ECONOMIC WELL-BEING OF MIGRANT AND SEASONAL FARM WORKERS.

PUTTING TOGETHER FISCAL AND TECHNICAL HELP FROM A MULTIPLICITY OF SOURCES AND OVERCOMING LOCAL RESISTANCE, THE COUNCIL OBTAINED AND IMPROVED SOME PERMANENT HOUSING, TRAINED CONSTRUCTION WORKERS AND PLANS NOW TO USE THE ABUNDANT UTAH SUN FOR SOLAR FRUIT AND VEGETABLE DRYING OPERATIONS.

> "Migratory farm laborers move restlessly over the face of the land, but they neither belong to the land nor does the land belong to them. They pass through community after community, but neither claim the community as home nor does the community claim them. Under the law, the domestic migrants are citizens of the United States but they are scarcely more a part of the land of their birth than the alien migrants working beside them. The migratory workers engage in a common occupation, but their cohesion is scarcely greater than that of pebbles on the seashore. Each harvest collects and regroups them. The public acknowledges the existence of migrants, yet declines to accept them as full members of the community. As crops ripen, farmers anxiously await their coming; as the harvest closes, the community, with equal anxiety, awaits their going."

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

The migrant farm worker labors hard in the harvest yet is often unable to share in its rewards. Historically, the migrant has been plagued by poor health, inadequate educational opportunities, seasonal work and poor housing. For many years the migrant has had no place to turn for help. This is beginning to change.

Founded in 1969, the Utah Migrant Council, Midvale, Utah, has the overall goal of providing alternatives to farm worker families in Utah who choose to leave agricultural work and to provide supportive services to those who wish to remain in agriculture. As of June 30, 1979, the Utah Migrant Council was administering more than $1.6 million in current project grants. In an effort to get better health care to the farm workers, the Utah Migrant Council (UMC) has established three migrant health clinics in areas of heavy farm worker concentration. The services provided by the clinics include: health vouchers that pay for doctor visits, prescription vouchers for medicines, bilingual aides to translate, hours that are convenient to farm workers, and, with assistance from the state of Utah, hospitalization.

The UMC Pre-School Project operates five pre-school centers in Utah that provide a sheltered and wholesome environment for migrant children while the other members of the family work long hours in the fields. The primary goals are to develop pride in the individual child's culture, to foster a strong and positive self-concept, and to instill a desire for knowledge. During 1979, the program served 265 children.

The UMC operates an employment and training program whose primary purpose is to provide training and educational opportunities to migrant and seasonal farm workers, ultimately leading to stable full-time employment. In 1979, more than 1,000 manpower services were provided. An emergency assistance program enables the UMC to provide emergency or short-term assistance to migrant and seasonal farm workers and their families when there is no other local source available, primarily in the form of food vouchers, food stamp purchases, and travel assistance.

Whenever possible the UMC refers farm workers to other social services, and in 1979 more than 1,500 referrals were made. Even with referrals the UMC provides assistance in translation, transportation, and filling out of forms to ensure the farm workers of every opportunity to take advantage of available services.

B. Relevance to Other Area Economic Development

The UMC suggests that anyone contemplating an economic development project should first make sure that there are no natural barriers against what is being planned. Are there ready or potential markets, what type of people are available, and what natural resources are present? For instance, the solar fruit drying operation of the Utah Migrant Council made sense (1) because fruit is readily available at low cost, (2) Utah has a high percentage of sunny days, and (3) most of the state's population is concentrated within 100 miles of the operation (a ready market). In many other areas of the country this particular economic development project would not be appropriate given resource differences. The council also suggests trying things out on a small scale to prove feasibility before plunging in and committing too deeply.

The UMC is looking at future development efforts in the areas of housing renovation using construction trainees, self-help housing, and the purchase and lease-back of facilities for pre-school head start and health care. The Spring Lake Housing and Development Project has provided valuable experience, management and financial systems have been established, and a track record is being built that will establish credibility for future projects.

C. This Project and the Five Ms

The natural resource base of the area important to this project include the climate, soil fertility, water that makes agriculture possible and the geographic closeness of this agricultural area to major population centers. Money would be required to obtain older housing, to pay for construction training, and to acquire needed materials for housing renovation and for the construction of a fruit dryer and greenhouse. Labor (manpower) would be needed to build the structures and to involve farm workers in the program. Markets would be needed to provide jobs for the trained construction workers and to provide a place to sell the vegetables and dried fruit. Finally, management would be needed to coordinate funding for the project and to ensure that the desired objectives were achieved.

D. Preliminary Assessment of Success

The Utah Migrant Council was the agency responsible for the project construction and management. To head the Spring Lake Project, the council appointed a housing director who was responsible to the executive director of the Utah Migrant Council. Under the housing director was a construction supervisor responsible for on-site construction work, this individual having nine years experience in housing construction, five with government rehabilitation programs. Two foremen and 13 construction trainees, all farm workers, worked under the construction supervisor. Altogether, 16 temporary jobs were created by construction. Permanent jobs are planned later.

CETA has been active in this project since June of 1978. CETA funds provided development money to plan the project, funds for construction trainees and supervisor and for technical assistance. Total cost to CETA will be $113,000 plus one technical assistant who spent a week on the project. CETA funds are being spent at the rate of $11,500 per month as the project progresses. The housing director is paid $1,100 per month, the construction supervisor $1,400 per month, the two foremen $1,000 per month, and the 13 construction trainees $2.90 to $3.35 per hour.

E. Summary of Difficulties or Advantages in Project Development

The Spring Lake Farmworker Housing and Development Project has provided valuable insights into the process of linking CETA training programs with economic development efforts. This section highlights lessons to be learned from the project.

The combining of aid and training activities with a developmental effort has resulted in the elimination of many problems that plague other development projects. Transportation of trainees to the job site was accomplished by using a UMC van. Trainees with language, housing, or other problems were eligible for help under the UMC emergency assistance program; those with health needs were eligible for UMC health clinic services, and trainees with young children could use the UMC Head Start program. This umbrella of pre-existing supportive services is one reason this development project was able to proceed so quickly.

The Utah Migrant Council has been forced to look at the Spring Lake Project the way a businessman would look at a potential investment. Historically most UMC farm worker programs have been give-aways to a large extent, but the Spring Lake Project has used borrowed funds which must be paid back. To help ensure that this will be done, the UMC has established Rural Utah Development, Inc., a non-profit housing development corporation whose purpose it is to stimulate housing and economic development and to hold and manage assets in a businesslike manner. Farm workers are being educated to the separate roles of the UMC and Rural Utah Development, Inc. If they need aid of an emergency or grant nature, the UMC is there to help. If they want to live in improved housing, then Rural Utah Development, Inc., will work to help them; but rental contracts agreed upon must be paid and treated as any private contract.

The UMC has found that legal arrangements make it difficult to link job creation programs with economic development programs. Capital accumulation is essential for almost every type of economic development, yet Federal program guidelines require that facilities be rented or leased from third parties not involved in the aid project. Difficult questions that must be answered involve who establishes policy, who owns structures, and who gets profits. If a federally subsidized economic development project is successful, it is argued that it competes unfairly with private business. How can the nonprofit aspects of such work be stressed? For CETA officials there is a need to develop a philosophy of what grant money is to be used for and what CETA's commitment is to economic development. If CETA supports economic development, top level agreements need to be made with developmental agencies to establish a structure of support. Finally, there is a need to provide information and coordination for CETA program operators. Officials of the Spring Lake Project argue that CETA should get involved in products and services that lead to tangible improvements, and that all funds need not go to the private sector. Instead, some CETA funds should be used to create worker-owned cooperatives to give the worker a stake in what he does. They also suggest that greater wage differentials be established to encourage trainees to advance and to retain more skilled people to train the unskilled.

F. Overview of Case Study to Follow

The sections that follow describe in detail the development of the Spring Lake Farmworker Housing and Development Project. At the present time this project has not been completed so its permanent impact on economic development cannot be finally assessed. However, some preliminary statements can be made as the construction phase of the project comes to a close.

II. GENERAL BACKGROUND

The Spring Lake Farmworker Housing and Development Project was designed to provide Utah farm workers with improved housing and to provide a continuing economic impact through construction training and the accompanying development of a solar greenhouse and fruit drying and processing plant. Spring Lake is a small unincorporated community of approximately 250 people in a rural area of Utah County, Utah.

The community itself is well established and contains virtually no commercial sector. The principal economic activity in the area immediately around Spring Lake is agriculture. The diversity of agricultural activity is greater in Utah County than in any other county in Utah because of the milder climate, fertile soil and availability of water. Crops requiring farm worker labor include apples, apricots, beets, cherries, hay, onions, peaches, pears, potatoes and raspberries. In addition, there is a significant dairy industry in the county.

Spring Lake is a mile and a half south of Payson, Utah, a community of 6,500 people, and 17 miles south of Provo, the largest city in the county with a population of 65,000. Utah County has an overall population of 189,000 making it the second largest in the state. The four counties (Weber, Davis, Salt Lake and Utah) in the East Salt Lake Basin contain 76 per cent of the state's total population of 1,316,000. Because of this population concentration, statistics about this program area are based on averages for large numbers of people. The result is that these averages tell very little about the socio-economic level of the farm worker or of other rural residents in largely metropolitan counties.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The Spring Lake Project is entirely within Utah County, Utah, the program area. Utah County is one of three in the Mountainlands Planning District. Where socio-cultural information was not available at the county level, it has been prepared for the Mountainlands Planning District. Since the other two counties in the district (Wasatch and Summit) contain less than 6 per cent of the district's total population, data for the Mountainlands Planning District corresponds very closely to that for Utah County.

The population of Utah County has grown very rapidly over the past 10 years. In 1970, the population was 138,000, and by 1980 will exceed 200,000. Between 1977 and 1978 the population for Utah County grew from 177,000 to 189,000, the largest of any county in the state. Between 1977 and 1978 the average civilian labor force grew 8.6 per cent (from 70,040 to 76,050), and the average nonagricultural employment grew 9.6 per cent (from 56,075 to 61,434). The average monthly nonagricultural wage in 1978 was $828, and 1978 per capita personal income was $5,200. This is lower than the 1978 state-wide average monthly nonagricultural wage which was $914 and state-wide 1978 per capita personal income of $6,600.

For persons 25 years or older, the median number of school years completed is 12.6 in Utah County and 12.5 for the state as a whole. In Utah County almost 40 per cent of the population 25 years or older have completed 13 or more years of school while less than 10 per cent have completed eight years or less. Forty per cent of high school graduating seniors have had some vocational training; one-third have had business office work; one-fourth to one-third have had trades and crafts; 40 per cent have had agriculture or home economics, and 10 per cent have done work in engineering, science, technical or health fields.

According to the 1970 census, over 96 per cent of the populations in households are part of a family, with less than 4 per cent unrelated individuals. Of families, 92.1 per cent are husband-wife, 6.5 per cent are female head of houeshold and no spouse, and 1.4 per cent are male head of household and no spouse. The average number of persons per household in Utah County is 3.64. The racial-ethnic composition of the population in Utah County is 97 per cent white, 1.9 per cent Hispanic, .6 per cent American Indian and .5 per cent Asian or Pacific Islander.

While these statistics provide useful information about the overall environment of the program area, they do not characterize Utah County farm workers. Although similar data is not available for farm workers, the 1970 census does provide information on persons of Spanish language living outside of Provo-Orem. Of this group, over 30 per cent of the families had incomes below the poverty level with the mean income being approximately half the poverty level. The median income of all Hispanic families in 1970 was $5,458. Almost 84 per cent of all households had both the husband and wife present. The median school years completed was 10.3, and one-third were high school graduates. Of this group, 12 per cent indicated they were farm workers.

A better idea of the characteristics of Utah farm workers can be obtained by examining Utah Migrant Council participant characteristics for the second quarter of 1979. Of 435 people served, 23 (5.3 per cent) had completed high school. All were below OMB's poverty level, and 94 per cent (408) were Hispanic. Almost 77 per cent (334) were migrants, and 23 per cent (101) were seasonal farm family members. While over 93 per cent (406) were unemployed, less than 1 per cent (4) were unemployment insurance claimants.

While the employment picture for migrants appears bleak, Mountainlands employment opportunities are potentially great. The Mountainlands planning district has a diversified base with approximately 19,000 jobs in services, and 14,000 in wholesale and retail trade, 13,000 in agriculture, 13,000 in manufacturing, 11,000 in government and 5,000 in construction. Examination of the active file of job applicants as of January 10, 1979, shows a total of 4,920 people available for work in a wide variety of occupations. During the fourth quarter of 1978, a total of 4,473 jobs were available through employment security. The largest employer in Utah County is the United States Steel Company with approximately 5,000 workers, with most other firms employing fewer than 1,000 workers each. Unions are not strong in Utah County; however, there are several that are active, including the Carpenters, Plumbers, Operating Engineers, International Ladies Garment Workers, the Teamsters, and the United Steelworkers of America.

During 1978 the Utah Department of Employment Security reported that an average of 3,878 people (5.1 per cent) were unemployed out of a labor force of 76,050 in the Mountainlands planning district. Of the persons unemployed, 2,242 were male, 1,636 female, 3,744 were white and 134 were Hispanic, Indians, and Asians. The unemployment rate in Utah Cunty as of spring 1979 was estimated at 4.5 per cent.

Utah County operates under a commission form of government. Most elected officials work full-time at their jobs, and at the department head level, most local government jobs are filled by trained professionals. Politically the area favors economic development. Values of the community are generally conservative with a strong work ethic. The people do not favor growth at the federal level or programs that appear to be handouts. The strong Mormon culture of the area makes it difficult for "outsiders" to adjust or easily assimilate. The migrant farm workers are usually of different religion and regarded as "outsiders," thus, they remain peripheral to the community. Generally the people of the region are not supportive of a program of economic development for this group, the attitude being one of temporary tolerance until the work is done and the workers leave.

In addition to the Utah Migrant Council there are other social services agencies active in Utah County. The Social Services Department serves approximately 5,000 people per year on a $3.5 million dollar budget. The Public Health Department serves about 36,000 people per year on a $700,000 budget, and the Community Action Agency serves around 20,000 people per year on a $100,000 budget. In May of 1979 an estimated 3.5 per cent of the population in the Mountainlands Planning District were receiving some type of public assistance. Food stamp payments went to 2.3 per cent of the population, AFDC payments to 1.9 per cent, AFDC-U (male) payments to .3 per cent and SSI/SSA payments to 1 per cent.

Utah County is home for two post-secondary educational institutions. Brigham Young University in Provo is the largest private university in the country with an enrollment of around 28,000 students. It offers a four-year undergraduate curriculum and graduate programs in a variety of fields. The Utah Trade Technical College in Orem is the institution used primarily by CETA participants. It offers occupational training for a full range of vocations.

IV. PLANNING PHASE

The ideas behind the Spring Lake Farmworker Housing and Development Project were in the minds of officials at the Utah Migrant Council for a number of years but actual planning for the project did not begin until the late fall of 1978. From the planning phase to the present, it has been coordinated by Mr. Michael D. Weathers, executive director of the Utah Migrant Council. He and his staff formulated the original plans for the project, solicited and received funding or techncial assistance from five separate agencies, and currently provide day to day management of the project.

Sparking interest for the formal planning phase of the project was a request for proposals put out by Rural America, Inc. Using funds from CETA, Title III, Section 303, Rural America asked for innovative proposals for projects designed to improve migrant housing and to provide job training. The UMC submitted a proposal to Rural America, Inc., and was funded to start in the fall of 1978. The $113,000 grant was to train farm workers to renovate the housing units, but at this time there were no funds to acquire housing units or materials for renovation. The UMC hoped to borrow money from the Farmers Home Administration for this purpose, the original thought being that motels bypassed by the interstate would be good units to acquire. Further investigation of this idea, however, revealed that these units were too small for farm worker families. The UMC eventually found an older 13-unit apartment complex located on 2.5 acres in Spring Lake that seemed to offer the space desired. In the fall of 1978 the Rural Community Assistance Corporation (funded by Rural America, Inc.) was asked to provide technical assistance in writing the Farmers Home Administration Section 514 loan application. The support of Utah Governor Scott M. Matheson was solicited, and he wrote a letter to the Farmers Home Administration encouraging it to fund the project. Although the Farmers

Home Administration expressed concern about whether the Utah Migrant Council would be around for 30 years to pay off the loan, the loan request was approved in January, 1979. It provided 100 per cent funding for the cost of the building and for construction materials for renovation.

At the same time that funds were being sought for building acquisition, applications were submitted to the National Association of Farmworker Organizations (NAFO) for money for a solar greenhouse and fruit dryer. Using funds originating with the Community Services Administration (CSA), NAFO provided $30,000 of alternative energy research and development money as well as technical assistance for the project. CSA funds channeled through the North Dakota Migrant Council were also obtained for weatherization of migrant homes. A large portion of these funds was used for insulation and weatherization at the Spring Lake Project.

The entire planning phase of the project from initial funding requests to the implementation phase was compressed into 12 short months. That the planning could be accomplished in such a short time is remarkable when one considers the number of agencies involved. Such an accomplishment is a tribute to the effective coordination efforts of the Utah Migrant Council. Mr. Weathers attributes this success to what he considers the most important asset of the project -- an organization behind the project with a clear purpose that is easily understood -- in this case, help for the migrant. The UMC could not afford to spend the estimated $15,000 in planning and coordination for this project, but it took the risk because of the potential for help to the farm workers and because of optimism about success.

At the same time that the UMC was soliciting outside funding for this project, it was involved with the local community in trying to obtain the necessary permits and to generate community approval. The Utah County Commissioners and the various county departments were reluctant participants in the project because of general community opposition to having migrant workers live there permanently and be long-term participants in the community. Initially they told the UMC that the zoning regulations would not allow migrants to live at the site, although it had been used for multi-family residential purposes for 45 years. The UMC and the county met to discuss the problems of building permits, zoning, community relations, and the legal site description. The UMC did what was required to comply with the law to the letter, and the necessary permits were eventually issued.

During the planning phase, the UMC tried to enlist the support of the private sector in the project, but these efforts met with little success. The Farm Bureau, which represents growers in the region, did not support the project because of a fear that it would give the migrant greater power, possibly leading to future labor problems. Residents in the area did not want migrants living near them because of racial prejudice, a fear that migrant lifestyles would be different, and a fear that property would decline in value. In an attempt to improve community relations, the UMC hosted a large barbecue on the project site in June, 1979, for migrants and area residents. Not one resident came to the dinner. But a private attorney in Salt Lake City, who has worked for the UMC, did review legal documents for the Spring Lake Project without charging for his work, and a Provo lumber dealer supplied materials for the project at contractor prices even though the UMC did not have a general contractor's license.

V. PROGRAM DESCRIPTION

In recent years the Utah Migrant Council has become interested in helping farm workers through programs of economic development, believing that self-sustained economic development is the best way to help in the long run. Given the UMC's objective of assisting both those farm workers who want to leave agriculture and those who want to remain, one goal for an economic development project is to try to aid both groups at once. A project concept did emerge that would satisfy this objective. The project plan, briefly stated, was to acquire older housing and renovate it for farm workers. The group desiring to leave farm work would have an opportunity to learn construction trades through housing renovation, the resulting skill development enabling them to become employed in other construction work in the area, while the group desiring to remain in farm work would find improved housing available to them to improve, somewhat, their standard of living. Thought was also given to the question of how farm workers might increase their incomes and become more self-sufficient. It was decided that one approach would investigate ways for farm workers to grow and process their own food. The large number of sunny days in Utah made the idea of a solar greenhouse for vegetable growing attractive. The combination of sun and easy access to fruit which can be gleaned as part of the harvest operation made the idea of a solar fruit drying operation equally attractive. While the initial thrust of both operations would be to provide additional food for farm workers, it was also planned that a local market might eventually be established for vegetables and dried fruit.

VI. IMPLEMENTATION PHASE

Program implementation did not start until January, 1979, when the Farmers Home Administration loan came through. At the conclusion of the planning phase the following agencies had committed funding and techncial assistance for the Spring Lake Project:

Rural America, Inc.:
A $113,000 training grant to provide funds to train farm worker labor to renovate the housing units. Funds were channeled to Rural America from CETA, Title III, Section 303 monies.

Rural Community Assistance Corporation:
Technical assistance in writing the Farmers Home Administration Section 514 loan application requesting funds for the purchase of apartment units to be renovated.

Farmers Home Administration:
A $160,000 loan to the Utah Migrant Council for the purchase of 2.5 acres of land containing 13 apartment units in need of renovation and a $90,000 loan to purchase materials for the renovation. The $250,000 loaned represented 100 per cent of the purchase price and material cost of the project.

National Association of Farmworker Organizations:
A $30,000 alternate energy research and development grant and technical assistance for the establishment of a solar greenhouse and fruit drying operation. Funds were channeled to NAFO from the Community Services Administration.

North Dakota Migrant Council:
A CSA conduit to other migrant and seasonal farm worker programs, the North Dakota agency provided $23,750 for weatherization of 13 homes of migrants at the Spring Lake Project.

VII. PROGRAM OUTCOMES

Since this project was still in the construction phase when studied, the discussion of outcomes should be regarded as preliminary. The first objective of the project was to provide farm workers with construction training so they could take advantage of good job oportunities in construction in the area. This objective has largely been fulfilled. Thirty-one persons have participated as construction trainees during the project. Of the 31, 13 are still at work on the project and 18 are no longer with it. Of these, the status of six is unknown, and the other 12 are in unsubsidized employment in the area. Four of these are in construction at wages of from $4.25 to $8.75 an hour, seven are in manufacturing at wages from $2.90 to $4.25 an hour, and one is working for $3.40 an hour in the social service area. The average wage of all who left is $4.78 an hour. The most common reasons cited for leaving the project were the higher wages that could be earned elsewhere and the permanance of unsubsidized employment. The fact that so many of the farm workers have already been able to find unsubsidized employment out of agriculture suggests that the first objective will be achieved.

The second objective of the program was to provide better housing for farm worker families. At the time of the site visit, the accomplishment of this objective was only days from fulfillment. Renovation of the 13 apartment units was almost complete, and potential farm worker occupants were being scheduled. Two VISTA volunteers assist in this effort to help make the transition a smooth one. A permanent unsubsidized part-time job in apartment management will also be created upon completion of construction.

The final two objectives of the project relate to the growing of vegetables, the drying of fruit and the possible sale of these products in the region. Since the solar greenhouse and fruit dryer are not yet in operation, it is too early to say how these goals will be fulfilled. Initially it is planned that CETA funds will be available for trainee positions for jobs in fruit drying, greenhouse operations and housing management. It is this phase of the project that offers the most potential for permanent job creation through economic development, but much depends upon whether the vegetables and dried fruit can be produced at reasonable cost and whether a market can be developed for them.

VIII. SUMMARY

The Utah Migrant Council successfully developed, along with other organizations both local and Federal, an economic development project for the benefit of the migrant farm workers of Utah County, Utah. Using the advantages of the climate and resources of the area, and overcoming some community resistance and legal problems, the project provides migrant and seasonal workers alternatives of continuing or leaving farm work. Training in construction skills was provided, and permanent, good quality housing was obtained. The beginning of a vegetable growing and fruit drying business was successfully implemented. The persistance and skill of the staff of the Utah Migrant Council in dealing with a multiplicity of Federal, state and local agencies -- not all of which wanted to help at first -- paid off.

Case Study:
HOPKINSVILLE INDUSTRIAL PARK
GOVERNOR'S SPECIAL CETA GRANT
Hopkinsville, Kentucky

USING CETA SPECIAL GOVERNOR'S GRANT FUNDS, THE KENTUCKY MANPOWER SERVICES COUNCIL WORKED WITH THE OPERATING ENGINEERS UNION TO TRAIN HEAVY EQUIPMENT OPERATORS. SIXTY TRAINEES CUT A ROAD INTO THE UNDEVELOPED HOPKINSVILLE INDUSTRIAL PARK, THEN WENT ON TO OTHER JOBS AT $5 TO $6 PER HOUR. THE FIRST INDUSTRY IN THE INDUSTRIAL PARK BROUGHT 50 MORE JOBS.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

In October of 1975, the State of Kentucky, using CETA funds allocated through the Governor's Special Grant, began a program in Hopkinsville, Kentucky, to train 60 individuals as heavy equipment operators. This was done by the State Manpower Services Council with Local 181 of the International Union of Operating Engineers. The contract totaled $130,190. While the training program resulted in an excellent placement rate for the trainees, it should not be viewed as just another CETA program, as its success far exceeded the training and job placement goals for the CETA participants, and resulted in tangible benefits for Hopkinsville and the surrounding Christian County area. The training site used by a local of the International Union of Operating Engineers was an industrial park owned by the Hopkinsville Industrial Foundation. While trainees learned to operate six to eight different types of heavy equipment, they graded 4,000 feet of roadway through the park. This increased the potential for a "ready sale" of each tract. One tract is occupied today by the Plymouth Tube Company which employs approximately 50 persons.

B. Relevance to Other Area Economic Development

The success of the Hopkinsville project has caused the approach to be repeated elsewhere in Kentucky. Two key elements are present in this state that, to varying degrees, may also be present in others.

Kentucky was one of the earliest states to organize into regional, multi-county planning and economic development districts. When CETA came along, these economic development districts became the monitoring and planning structures for CETA funds, this approach permitting a quick and easy tie between economic development opportunities and CETA. Not all states have economic development agencies as well established as those in Kentucky, but many states do have major portions of their geographical area covered by agencies with similar responsibilities.

Each governor receives a CETA Special Grant which equals 4 per cent of the state's allocation under Parts A, B and C of Title II. This money, according to CETA Section 202(e), "shall be available... for the governor's coordination and special services under Section 105. . . ." Section 105 lists 12 different activities authorized for governors under coordination and special services. These include: (1) coordinating all employment and training, education, and related services provided by the state, by prime sponsors, by state education agencies and other appropriate institutions for vocational and higher education; (2) assuring the promotion of prime sponsor planning that takes into account conditions prevailing in labor market areas covering more than one prime sponsor area, as well as related activities such as community development, economic development, vocational education, vocational rehabilitation, and social services; (3) carrying out special model training and employment programs and related services, and (4) providing financial assistance for special programs and services designed to meet the needs of rural areas outside major labor market areas.

While the activities emphasized here arbitrarily highlight coordination and assistance possibilities for economic development in rural areas and while many other activities not specifically related to economic development or limited to rural areas are not only permitted but also highly desirable in many states, it is clear that in Kentucky, CETA people take these sections to heart, especially when they read them in conjunction with that portion of Section 2 that says it is among CETA's purposes "to provide for the maximum feasible coordination of plans, programs and activities under this act with economic development, community development and related activities. . . ."

C. This Project and The Five Ms

The International Union of Operating Engineers did the recruiting of the 60 workers from the manpower available in the the area. Management came from the executive director of the Kentucky Manpower Services Council and the local union coordinator, among others. The land itself had been acquired earlier by the City of Hopkinsville and the Chamber of Commerce, operating as Hopkinsville Industrial Foundation.

In addition to CETA funds which went to the operating engineers, there were other resources that led to the development and implementation of the project. Some are difficult to measure in terms of actual dollars, but contributions such as the influence of key business, political and civic leaders were valuable to the success of the project. Other improvements to the industrial park that resulted because of the grading of an access road by CETA trainees included Christian County providing gravel for the roadbed, the state paving two lanes of access road (CETA trainees graded four lanes), and the Pennyrile Rural Electrical Cooperative installing a substation. All of these improvements were provided at no cost to the Hopkinsville Industrial Foundation, and all enhanced the potential for economic growth in Christian County.

As an outgrowth of the CETA training, industrial prospects now see tract sites rather than 300 acres of soybeans. (The 1975 CETA project began in the fall because the park was planted with soybeans, and the grading work was held up until after the harvest.)

D. Preliminary Assessment of Success

It is difficult to deny success when a factory stands where soybeans grew and persons once eligible for CETA training entered employment at wage rates approaching $6 per hour. Moreover, the Plymouth Tube Co., which located in the industrial park after the trainees opened roads to factory sites, pays an average of $4.09 per hour to approximately 50 persons. Some machinists in the metal tube plant are paid $7 an hour, and maintenance workers earn $3.80 per hour. These figures mean a payroll of $340,000 per year in a community of some 27,000 persons.

E. Summary of Difficulties on Advantages in Project Development

This project had the advantage of strong support from the Kentucky Manpower Services Council, from the local of the International Union of Operating Engineers and from the various agencies in the Hopkinsville area that were receptive to different approaches to economic development. The Pennyrile Area Development District was supportive of the entire effort, and various state agencies assisted as well.

F. Overview of Case Study to Follow

The case study of the Hopkinsville project will highlight the role of a special project effort funded with CETA Special Grant funds through a labor union. It provides background on Hopkinsville and Christian County, Kentucky, and summarizes the roles of various agencies involved in attracting new industry to an undeveloped industrial park.

II. GENERAL BACKGROUND

The idea for the CETA project in Hopkinsville can be traced to the Office of Research and Demonstration of the Manpower Administration. In April of 1974, the Manpower (now Employment and Training) Administration asked the National Planning Association "to develop an early warning system which would provide information on the local employment impact of special Federal procurement awards." The purpose of such planning "would permit the development of timely recruitment, training, and other manpower programs to improve the implementation of Federal manpower policy, and operate to the benefit of government contractors and contracting agencies.

With this in mind, the National Planning Association called a meeting in Louisville, Kentucky, in April of 1974, to explore the possibility of directing the attention of manpower program directors to the skill needs of a federal construction project of a lock and dam complex at Smithland, Kentucky. At the meeting, NPA covered the skill need for 200 operating engineers at the lock and dam site. It was pointed out that Local 181 of the International Union of Operating Engineers would be expected to handle recruitment through its hiring hall; however, the local had indicated that the limited skills of Kentucky residents would require that most of those hired come from other states. This information triggered the State Manpower Council and Local 181 of the Operating Engineers into action.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

The Clarksville/Hopkinsville SMSA, which is composed of Christian County, Kentucky, and Montgomery County, Tennessee, has a population of 145,000. Of the seven SMSA's in Kentucky, it has been the fastest growing (22 per cent) since 1970. In

1970, Christian County showed a population of 56,224, and in 1978, the population estimate was 67,000.

Christian County, Kentucky, and its county seat, Hopkinsville, are in southwest Kentucky. In distance, Hopkinsville is approximately 170 miles from Louisville, 68 miles from Nashville, Tennessee, and 20 miles from Clarksville, Tennessee. It is the home of a major military base, Fort Campbell. The area lies near the rich floodplain of the Cumberland and Tennessee rivers. In square miles, Christian County is one of the largest in the state. While it is adjacent to the western Kentucky coal-producing area, the Hopkinsville area cannot be defined as a coal producer, but rather, has a more diversified economy. The economic character of Christian County is derived from nearby Fort Campbell (partly in Kentucky and partly in Tennessee), tourism at nearby state parks (Land Between the Lakes), the manufacturing industry and, surprisingly, agriculture. Compared to the rest of Kentucky, Christian County employs 23 per cent in manufacturing while the state employs 31 per cent, 15 per cent in services while the state employs 20 per cent, less than 1 per cent in mining while the state total is at 6 per cent, and more than 10 per cent in agriculture with the state having less than 5 per cent.

Other indicators in the economic picture are the various sources of personal income. The importance of Fort Campbell is revealed in the fact that 68 per cent of personal income for Christian County is derived from government, while the state as a whole shows 16 per cent of personal income from government. The next most important sector providing personal income in Christian County is agribusiness.

The median family income in 1977 for the SMSA amounted to $11,300, and per capita income in Christian County in 1975 stood at $3,368, less than the state figure of $3,759. The estimated number in poverty makes up 23.4 per cent of the county's population while the state has a figure of 22.6 per cent. A publication by the Kentucky Department of Commerce, "Kentucky Deskbook of Economic Statistics," provides a figure described as "Effective Buying Income" (EBI). This indicator is personal income without personal taxes and nontax payments. The figure shows an EBI of $10,805 for Christian County and $12,671 for the entire state. Christian County is part of the Pennyrile Area Development District which is composed of nine counties.

Hopkinsville has 26,890 persons (1976 estimate). Figures from the 1970 census show that 41 per cent of those persons over age 25 had finished high school, while 23.5 per cent had less than an eighth grade education; the median number of school years completed for the group was 10.3.

In 1977, the population of Christian County had a racial makeup of 77 per cent white and 23 per cent black. Figures on the population over age 16 for 1976 for the entire state show a nonwhite population of 11.2 per cent and 17.4 per cent for Christian County.

The Christian County labor force in 1978 numbered 22,417, this figure representing a significant increase over the 1970 civilian labor force which then stood at 15,860. For the period of 1975 to 1978, the number of unemployed averaged 1,258, with unemployment rates as high as 7.3 per cent in 1975 and as low as 4.6 per cent in 1977. In July of 1979, the unemployment rate stood at 4.9 per cent.

Altogether, the local social services office, which is located in a state building with the employment service, serves about 7,000 persons per month. Persons receiving AFDC in April of 1979 numbered 3,698, this number representing 1,260 families. More than 6,000 persons received food stamps. For the month of July, 1979, the local employment office had 1,147 applicants of which 744 or 65 per cent had less than a high school education.

As pointed out earlier, jobs generated because of Fort Campbell are substantial in number. Major employers with more than 350 workers are Phelps-Dodge Corporation (manufactuer of magnetic wire), Thomas Industries, (manufacturer of lighting fixtures), International Shoe Co. (manufacturer of shoes), U.S. Metal/Bailey (manufacturer of plastic bumpers), and Hopkinsville Clothing Manufacturing. Other major employers that employ fewer than 350 but more than 100 workers are U.S. Metal Corp. Fastener Division, Phillips Products (plastics), Mid-Continent Spring Co. (industrial springs), Hopkinsville Apparel, Faultless Hardware Division (furniture hardware), Elk Brand (clothing), Ebonite (bowling balls), and Dixie Pavers (pavement).

Skill shortages of employers in the whole nine county planning district reveal an annual need for 3,230 workers. The greatest demands are for clerical workers, operatives and service workers. According to the area manpower planner, Mr. Willard G. Wallace, these skill demands would also hold true for Christian County. On the other side of the coin, the Hopkinsville local employment office shows that its largest group of applicants, 29 per cent, have little or no job experience. The next largest group of applicants is categorized as clerical, but it would be safe to assume that these applicants lack sufficient skills for the clerical jobs that are available since they do not meet with success when job-hunting. All persons interviewed felt that the labor supply posed no problem for local skill demands and future economic growth.

The City of Hopkinsville functions with a strong mayor/council form of government, while the county is headed by the county judge. It was pointed out by Mrs. Tracey Williams, assistant director for the Pennyrile Area Development District and former city employee, that while leadership is elective, both city and county government are free from election year turnover. She added that department heads are experienced employees. An indication of local business and civic leadership is seen in the local governments' support for any and all efforts at economic development. Showing initiative in December, 1973, the city made application for Economic Development Administration funds to construct a two million gallon water tank in the industrial park where the CETA project took place, this application receiving matching funds from the city. Additionally, it should be emphasized the city has granted tax-exempt status to incoming industry. This incentive, along with the county's willingness to issue low-interest bonds, illustrates the role of local government in fostering economic development.

Another government entity which played a substantial role in the success of the project was the Pennyrile Area Development District. This will be discussed in detail in the next section, but it should be noted here because the substate planning office brought key individuals together, kept the project moving, and reflected the interests of the city and county in growth.

Some of the cultural values identified during the research visit include considerable pride that, "Hopkinsville is a good place to live." There is considerable optimism that the area will continue to grow. The persons interviewed did not hesitate to talk about the project and did not exhibit any unwillingness to cooperate with an "outsider." In discussing the economic growth of the area, it was learned that "organized labor" is a growing concern and viewed by some as a detriment to industrial development. This is noteworthy since Mr. James Catlett of the South Kentucky Industrial Development Corp. estimated that half of the work force was unionized.

To better appreciate the attitudes of those interviewed, the opinion of Mr. John W. Adams, executive director of the Pennyrile Area Development District, is worth remembering. In response to the question of why the project worked so well, Mr. Adams stated that Christian County was not "legislated poor." He went on to explain that, unlike other Kentucky counties that are always looking for 100 per cent federal funding, Hopkinsville area leaders were willing to put forth effort and money to make the project succeed. This is an important factor, emphasized from on-site research that revealed that everyone was willing to contribute. There were no arguments about "turf." This cooperative atmosphere existed despite the fact that several of those interviewed indicated their dislike for CETA in general. But in contributing to the development of the industrial park, CETA, they felt, was doing what it was intended to do -- provide training -- and the community as a whole was benefitting. Differing political philosophies apparently were put aside, business was organized and all levels of government came together for a common purpose.

IV. PLANNING PHASE

The Hopkinsville project had two objectives: to train equipment operators and to enhance industrial development in Hopkinsville. While leaders in Hopkinsville thought the "training was what CETA was all about", they were more interested in the improvements to the industrial site, viewing CETA as a means to their desired goal. However, to Mr. Charles Furr, executive director of the State Manpower Services Council, and Mr. John Baker, coordinator of the Operating Engineers, the industrial park site was a means to their goal of quality CETA training. With these differences in perspective and point of view, it is important to consider the role of the Pennyrile Area Development Office in coordinating the diverse aims into an achievement for both.

Upward mobility was a prime objective of the program since recruitment was to be directed toward those who had some background in the occupation but who needed additional training.

In order to minimize costs, the International Union of Operating Engineers extended the use of excess government equipment to Local 181.

It was proposed that the participants would learn the rudiments of operating loaders, backhoes, compactors, scrapers, graders, crawlers, and revolving shovels with training not to exceed 26 weeks. Of vital importance is the additional fact that the project directors provided by Local 181 would not be charged to the CETA contract. It was also stipulated that the union would not be obligated to complete the work undertaken by the trainees. To the casual observer, it may appear that the union was merely "feathering its own nest" with the project but it should be noted that the Kentucky Highway Association, composed of major highway contractors, was and is entirely dependent upon Local 181 for skilled equipment operators, and the local sees itself with a large responsibility to the association.

A proposal to train heavy equipment operators was submitted by Local 181 of the International Union of Operating Engineers to the Kentucky Manpower Services Council in July of 1974. The proposal requested $75,049, excluding trainee stipends, to provide classroom (80 hours), vestibule (160 hours), and heavy equipment operation (800 hours) training.

With this proposal in hand, the director for the State Manpower Council, Mr. Furr, began to seek suitable training sites. He contacted the substate planning regions including the Pennyrile Area Development District and its manpower planner, Mr. Dwight Borum. In the opinion of several involved, Mr. Furr should be credited with generating enthusiasm for the training program.

Responding to Mr. Furr, Mr. Borum got to work and identified several sites in the nine-county region, convincing his boss, Mr. Adams, the Pennyrile Area Development District director, that the program was a good idea. From this point, the

Pennyrile Area Development District staff, headed by Mr. Adams, carried the ball in pulling together key individuals who would make the project succeed. "Real" training was visualized, and a tangible benefit to Hopkinsville was anticipated. The industrial park owned by the Hopkinsville Industrial Foundation was identified as a good site, and Mr. John Baker of the Operating Engineers visited it to determine its suitability.

V. IMPLEMENTATION PHASE

With the selection of the Hopkinsville site, all major issues were resolved, with only minor matters remaining. In a letter to Mr. Adams dated June 20, 1975, Mr. Baker cited some of these: Would the grading be otherwise done in the absence of CETA training funds? Would there be classroom and repair facilities in inclement weather? What would the cost be of moving the equipment to Hopkinsville? Would there be engineering work for desired grades and clearance from environmental agencies? What would be the source of culverts and pipes?

Other matters to be resolved but not raised by Mr. Baker included where the trainees would live in Hopkinsville, how often and by whom they would be paid, and where they would be able to cash their checks. For the success of the project, all of these issues had to be resolved, and they were.

The Chamber of Commerce and the Industrial Foundation came up with the money to cover the cost of moving the equipment. According to Mr. Furr, this was approximately $600 to $700 per piece of equipment for about eight pieces - tractors, bulldozers, and motor graders.

Site and topography maps were produced by T.V.A. Housing for trainees was secured through the help of the Foundation. The City of Hopkinsville provided an engineer to do regular inspection of work and the Kentucky Department of Transportation joined in and offered to provide construction plans for the 4,000 feet of grading.

In handling allowances for participants, it was decided that the trainees would not be paid through the regular Employment Service allowance system because they would need a check on a weekly basis. Thus, the union set up a weekly payroll system. Subsistence was paid. The manager of a grocery store near the training site was approached about cashing checks, and he gave assurance that the checks would be "good" in his store.

The delivery of CETA services and other employment and training efforts normally rest primarily with the Hopkinsville office of the Bureau of Manpower Services (the state employment service agency in Kentucky). Regional planning is done by the manpower planner funded by the state CETA office on the staff of the Pennyrile Area Development District. For Christian County alone, the CETA funding amounts to approximately $1.1 million with more than half for the purpose of public service employment. Recruitment, selection, and placement services are normally provided by the local employment office. The local community action agency is also active in delivering various social services. Its annual budget has been as high as $3 million. In recent months, some management problems have created questions, and the credibility of the agency has not been rising.

This project resulted in the training of 63 individuals, the placement of 54 participants into jobs averaging $5.68 per hour with excellent fringe benefits, and 40 to 50 new jobs at Plymouth Tube Company. Using recent data (first quarter of 1979, payroll tax) based on 40 employees, the average wage is $4.09 per hour. More specific information from the Pennyrile manpower office shows that machinists at Plymouth Tube earn $7 per hour and maintenance workers earn $3.80 per hour. Certainly, more jobs will be created as more industry locates in the park, this being a more long-range effect of the initial training program, and requiring more time before being fully implemented.

VI. PROGRAM OUTCOMES

This one-year project, which has been repeated in other Kentucky communities, resulted in the placement of 54 trainees at wages averaging $5.68 an hour and the location of a new industry, Plymouth Tube Company, which also had CETA OJT contracts but which has not yet used trainees. Plymouth Tube, a metal extrusion facility, employed 40 to 50 persons initially. Mr. Robert C. Carter, president of the local newspaper, the Kentucky New Era, believes, "CETA training was the single aspect that made the land a park, and the road impressed Plymouth Tube." Mr. Carter is also president of the Hopkinsville Industrial Foundation. In dollar terms, the Plymouth Tube plant will have an annual payroll totalling nearly $340,000. Plymouth has recently purchased an empty building at the park and is scheduled to expand.

Increases in the tax base have yet to be realized since industrial revenue bonds were issued to Plymouth Tube; thus, land and buildings are owned by the county and leased back to the industry. Moreover, the City of Hopkinsville granted a five-year tax exemption from city property taxes. Tax revenue directly from the new industry comes now only from the occupational tax which applies a one per cent rate to the industry's payroll.

While these results are among the most significant, it also is noteworthy to mention that business leaders on the Industrial Foundation Board and the Chamber of Commerce show immense pride in the way CETA training was used.

VII. SUMMARY

The benefits of state level initiative coupled with cooperation from a union linger on and benefit all CETA training efforts in the area and Kentucky as a whole. Mr. Furr reports that the Operating Engineers training program is the easiest to approve for each fiscal year. The success in Hopkinsville has also been used as a model for other Kentucky communities. It should be remembered that a local project contributed a state-wide skill need in response to an initiative at the Federal level. A desire for economic development in Hopkinsville helped as the project took Federal money, trained CETA participants for good jobs and turned a soybean field into an expanding industrial park.

Case Study:
CRAIG FIELD AIRPORT AND INDUSTRIAL AUTHORITY
ALABAMA CETA BALANCE OF STATE
Selma, Alabama

CETA PUBLIC SERVICE EMPLOYEES PROVIDED CRUCIAL SECURITY AND MAINTENANCE SERVICES TO KEEP FACILITIES AT A CLOSED AIR FORCE BASE IN GOOD CONDITION UNTIL NEW INDUSTRY CAME.

THE PRESIDENT'S ECONOMIC ADJUSTMENT COMMITTEE HELPED SELMA AND DALLAS COUNTY LEADERS FOCUS ON REUSE POTENTIAL WHEN 2,800 MILITARY JOBS WERE TAKEN AWAY.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Craig Air Force Base had been a steady provider of jobs in Selma and Dallas County, Alabama, since before World War II. Opened in 1940 as a pilot training center, in 1976 Craig had a total of 2,803 military and civilian jobs and an annual payroll of $34.5 million. In March of 1976, the Department of the Air Force announced that Craig would close by October, 1977. The people of Selma and Dallas County acted promptly to make studies of possible alternate uses of the air base and established the Craig Field Airport and Industrial Authority. CETA played a crucial role in providing 24 public service employment positions to the authority. The group consisted of 10 firemen, seven policemen and seven laborers. They provided security to prevent vandalism to more than 700 buildings on the base while new industries were being attracted. Today, there are more than 300 jobs in businesses that were not in Selma and Dallas County two years ago.

B. Relevance to Other Area Economic Development

In an effort to assist local leaders, members of the Alabama congressional delegation asked the Department of Defense to make a study of problems and possible new economic directions. The Department of Defense has an Office of Economic Adjustment, one of whose functions is to assist communities where major military installations are being closed or sharply curtailed. The President's Economic Adjustment Committee began working with Selma officials in April of 1977, and a preliminary report was issued in September, 1977. Later that same month, a team of 40 officials representing 12 Federal agencies spent two days in Selma primarily participating in workshops and discussion sessions with Selma and Dallas County business and government leaders. A final report, outlining short and long-term development goals was issued by the Economic Adjustment Committee in January of 1978, and served as a catalyst for much that followed. With the Craig Field Airport and Industrial Authority already established by the Alabama legislature in May, 1977, the Economic Adjustment Committee recommended a full-time executive director as well as other staff. An Economic Development Administration grant, eventually totaling $247,100 for two years, was matched by $48,400 in Selma and Dallas County funds, and the executive director was hired in late 1977. The involvement of the Economic Adjustment Committee had highlighted Selma's needs for several Federal agencies, and the sessions with the Federal team in September, 1977, had shown many Selma and Dallas officials the scope of possible Federal help.

C. This Project and The Five M's

With Craig Air Force Base scheduled to close, Selma and Dallas County officials were concerned about the loss of approximately 900 civilian jobs. Thus, a pool of manpower was readily available. Management help came from the Defense Department's Economic Adjustment Committee, from the Alabama Tombigbee Regional Commission and from the Craig Field Airport and Industrial Authority. The authority's mandate was to attract a market for the facilities at Craig; that is, locate those industries that would establish plants at Craig Field. Materials came with the industries as did money. CETA provided $293,333 in salary money for the 24 public service participants.

D. Preliminary Assessment of Success

It will be many years before Craig Field is fully developed as an airport and an industrial park, but the course of development is charted. Beech Aircraft currently employs 80 persons; Billingsley Farms employs about 75 persons in a food packaging operation; the Alabama State Trooper training center is now at Craig. Cothran and Company is a successful local firm employing 40 persons and marketing speciality craft items to large retailers like Neiman-Marcus. Cothran was expanding and needed more plant facilites that were not available in Selma prior to the Craig Field Air Base closure. Beech Aircraft, which flies planes in from Kansas and installs navigation equipment at its Craig Field plant, has long-term plans to have as many as 1,000 workers. If these plans materialize, Beech alone would provide more civilian jobs in the Selma area than the Air Force did before it closed Craig.

E. Summary of Difficulties or Advantages in Project Development

Acquisition of Craig Field for industrial and airport use was relatively easy. The City of Selma had bought most of the land and had sold it to the Federal government for a nominal free of $1 to attract the base in 1940. Returning most of the land to the new airport and industrial authority was no problem for the Air Force; however, a section of the base which has more than 500 units of housing is still in Federal hands. Negotiations continue, and the industrial authority expects to acquire the housing eventually. There is discussion of using some as homes for persons with below average incomes and selling the remainder to persons with somewhat higher income for moderate prices. It was a major advantage to Selma and Dallas County to have the Defense Department's Economic Adjustment Committee involved early in planning the transition. The city and county leaders had already begun to work closely together to promote economic development and the Economic Adjustment Committee Report focused further attention on the positive possibilities for the future of the base.

F. Overview of Case Study to Follow

The study that follows provides demographic information on Selma and Dallas County, outlines the steps taken to turn the air base into a major industrial park and details CETA's role in providing crucial public service employment participants at at time when the industrial authority had no income.

II. GENERAL BACKGROUND

Although there was serious concern about the loss of jobs when the closing of Craig Field was announced, in some ways there was also a sense of relief in Selma and Dallas County. There had been repeated rumors about closing and some businessmen apparently were hesitant to make specific plans in view of the continuing uncertainty. But when the Air Force said it would close Craig, that was final. Selma and Dallas citizens set about finding ways to make the best of the situation.

In 1976, about 940 jobs at Craig were held by civilians, and approximately 1,900 jobs were held by members of the military who would now be moved to other bases by the Air Force. At first it was assumed that most civilians would stay in Selma and that an unemployment rate of 9 per cent could go as high as 19 per cent. There was also concern about the loss of other jobs dependent upon the presence of the base, as the base payroll of $34.5 million would be gone, and the $3.2 million worth of goods and services purchased in the area by the base would not be needed. Restaurants, dry cleaning establishments, auto dealers, all would be affected. Altogether, the impact of direct and indirect economic activity could reach $69 million, according to one estimate made for the Air Force. It was the documentation of this potential loss that spurred Selma and Dallas officials to prompt action in planning future use of Craig field.

As the following section will describe, the group of 10 counties served by the Alabama Tombigbee Regional Commission has a traditional declining agricultural base, and the development of new industry has been pushed forcefully for some time in the area.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Located in southwest Alabama, Dallas County is among 10 counties served by the regional planning commission. Of 6.1 million acres in the 10 counties, 35 per cent of the land is farmed compared to 65 per cent 25 years ago. There were 38,000 farms in 1939, and today, there are 6,700 farms.

Total employment in the Alabama Tombigbee district has dropped from 102,102 in 1940 to 66,817 in 1970. Agricultural employment dropped from 55,698 in 1940 to 4,272 in 1970. There was, however, a net gain of 16,141 jobs -- from 46,404 to 62,545 -- in other segments of the economy during those three decades.

The planners at the Alabama Tombigbee Regional Commission describe the situation in this way:

> "The largest employment increases have occurred in manufacturing employment, showing an additional 15,000 employees since 1940. Non-basic commerical employment for the same period has also shown as increase, although somewhat less spectacular.

> "The overall effect of industrial growth is that increasing employment in the industrial sector has slowed the out migration which might have otherwise occurred owing to the decline of agriculture and increased district incomes. The growth in industry is also primarily responsibile for the overall white population increase from 1960 to 1970, although it appears to have only a minor influence on black out migration. If the regional population, as projected, shows an increase in 1980 (the first in 50 years), it will result primarily from advances in the industry sector.
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> "Current analysis shows that the value added to the region's economy by manufacturing is some $214,000,000 annually, making it the region's leading economic contributor. In recent years a relatively large number of manufacturing firms have located in the region, attracted by low tax rates, available low-cost land, natural resources, power, water and labor. Most of the leading manufacturing plants are still producers of wood and wood products; however, chemicals, petroleum and mineral industries have been increasing significantly."

Dallas County has a population of 57,400 persons, showing a population growth of only five per cent since 1900. Selma, the county seat, has tripled its population since 1900, with a 1975 estimate of 27,837. Selma is the largest urban center in the 10-county planning region.

As the Economic Adjustment Committee report noted: "In the mid-1960s, Selma was the seat of considerable racial unrest and nationwide publicity. Significant progress in the quality of life has been made since that period, however, in such areas as employment, education, income and community services and facilities. Since the mid-1960s, Dallas County has experienced considerable growth in new and expanding industrial plants, suggesting a renewed economic direction for the future."

Non-whites have historically accounted for more than 50 per cent of the populations of Selma and Dallas County. Between 1950 and 1970, however, Selma's black population dropped from 55.2 per cent to 49.9 per cent, and in Dallas County the black proportion declined from 65 per cent to 52.4 per cent. Educational attainment averages 11.8 years in Selma and 10.7 years for the county. Alabama's figure is 10.9 years. The U.S. figure is 12.1 years. The rate of illiteracy among persons over 25 years of age was 12.4 per cent in 1970. Among the black half of Selma's population, census figures put the illiteracy rate at 24.6 per cent. The Alabama figure is 10.7 per cent, and the national figure is 5.5 per cent.

Per capita income in Dallas County was $3,709 in 1974, $575 below the Alabama figure and $1,777 below the U.S. figure. In 1970, 22.2 per cent of all Selma families and 26.7 per cent of all Dallas County families had incomes below $3,000. Among black families, the low income proportion was 40.9 per cent in Selma and 32.5 per cent in Dallas County.

The significance of Craig Air Force Base as a source of community income is reflected in the fact that the average income for a military family was $12,595 per year and $11,679 per year for civilian workers at the base. At the same time, average personal income for all Dallas County workers was $7,026.

The work force numbered 23,898 in 1974, spread primarily among services, government and manufacturing. Between 1972 and 1977, unemployment rates usually were higher in Dallas County than in Alabama or the nation. For example, the unemployment rate was 7 per cent in Selma and 7.6 per cent for Dallas in 1977 when it was 6.3 per cent for the state and 7 per cent for the U.S. At that time the nonwhite population accounted for an estimated 71.3 per cent of the county's unemployed and 65 per cent of Selma's unemployed.

Manufacturing is the most important basic industry in Dallas County in terms of both employment and income. A fourth of the county's nongovernment employment and 30 per cent of its nongovernment personal income is from manufacturing. There is a variety of manufacturing activity, but about three-fourths of it is concentrated in three labor intensive industries -- apparel, metal working and wood and paper products. There are more than 50 of these manufacturing firms in Dallas County with about 5,100 workers.

Selma is on the Alabama River which also will benefit from increased traffic when the Tennessee-Tombigbee Waterway is opened. Currently, there is movement to enlarge port facilities and to restore some of the old waterfront areas, making Selma more attractive to tourists.

IV. PLANNING PHASE

From the time the Defense Department announced the closing of Craig Air Force Base until it was actually closed, the people of Selma and Dallas County had 18 months to decide what to do.

The projected impact of closing Craig was massive. Among those things that could be anticipated were the following:

-- There were 2,803 jobs going and with them, an annual payroll of $34.5 million. A total of 1,863 were assigned members of the Air Force who would be transferred elsewhere. That left 940 civilians, 547 of whom were in Department of Defense civil service positions. Some of these would also be transferred to Defense Department jobs elsewhere.

-- It was estimated that 5,361 persons (1,863 assigned military personnel and their 2,524 dependents plus 340 defense civilians and their 634 dependents) might leave Dallas County. That would be 9.5 per cent of the total population of Dallas County.

-- Secondary job losses were projected in a "worst case" analysis as high as 1,308 with the possibility of as many as 6,192 persons (workers and dependents) leaving. This figure was in addition to the projected 5,361 directly related to jobs on the base.

-- If this massive departure and job loss did occur, Dallas County could expect an unemployment rate above 19 per cent after losing nearly 20 per cent of its population.

There was particular concern about black job holders. The Economic Adjustment Committee report suggested the possibility of "higher job loss among blacks" and expressed concern about the "loss of an institution (Craig Field) that has been a major factor in providing equal opportunity and treatment for blacks."

Retail trade losses were projected at $19.3 million or 14.8 per cent of Dallas County's annual total of $130.4 million.

There was also concern about reduced city and county revenue, a probable delay in a downtown refurbishing effort, the ability of the city to pay its share of a major sewer improvement project and reduced school enrollment.

This stark array of facts left Selma and Dallas leaders with little choice. They could find some way to generate new jobs to replace those at Craig or they could watch major portions of the city and county become deserted amid sharply reduced economic activity and seriously higher unemployment.

One asset already in place was a recently revitalized Chamber of Commerce, described as "currently emerging from a long period of relative ineffectual participation in local economic development."

The Economic Development Committee report said, "In the past, development efforts were sporadic and without strong, coordinated and directed involvement of the business community. Beginning in early 1977, however, the Chamber entered a new period of commitment. The hiring of a full-time executive vice president and the initiation of an industrial development program utilizing city, county and Chamber funds are the prominent indications of revitalized leadership. The business community's support is evidenced by the Chamber's recent membership drive. In May, 1977, about 125 new members were added, an increase greater than this organization has ever experienced. Total membership is now approximately 500 persons."

That membership drive came a year after the announcement that Craig Field would close. Clearly, there was concern in the business community, and business men and women were coming together to express mutual concerns and to look for solutions that would benefit the entire community.

The Economic Adjustment Committee report of September, 1977, recounted other progress as well:

> "The city and county governments have demonstrated rapid initiative and exerted strong leadership and influence in taking the necessary preparatory steps toward an economic adjustment program following the decision to close Craig AFB. During April, 1977, with the assistance of the Office of Economic Adjustment, city and county officials and community leaders visited three communities previously affected by base closure. Preliminary contacts with potential industrial clients have been actively sought for several months. Upon passage of state legislation authorizing the Airport Authority, the Mayor of Selma and the Probate Judge of Dallas County appointed three and two individuals, respectively, to serve on the five-member board of directors of the Authority. The Authority has responded with a serious commitment of time and energy to planning the reuse of Craig AFB and support for an areawide economic development effort."

Other progress was also reported:

> "Prior to 1977, Selma and Dallas County lacked a directed, coordianted industrial development program. Industries which located in Selma were usually attracted either from contact with existing satisfied industries or through the independent efforts of a few community leaders. However, early this year an industrial development program was formally established which involves a three-way effort by the city, county, and Chamber of Commerce. The city and the county have each contributed $25,000 to fund this year's operation of the program, and the Chamber has contributed about $60,000. Future funding will depend on the success of the program over its first year operation.
>
> "At present, goals of the program have been defined exclusively in terms of industrial development. The new executive vice president of the Chamber is responsible for the program's general administration and works very closely with the Mayor, County Probate Judge, and Craig Field Airport and Industrial Authority. Short-range goals of the program include the preparation and distribution of industrial site brochures and market information about land and property at Selfield Industrial Park and Craig AFB.
>
> "There has been no professional industrial developer working with the city in the past. With the establish-

> ment of the Airport Authority, however, a professional industrial developer has been on loan to the area from the Alabama Tombigee Regional Commission."

With the appointment of the Craig Field Airport and Industrial Authority in the spring of 1977, an application to the Economic Development Administration for $247,100 to be matched with $48.400 in city and county funds made it possible to hire an executive director, a maintenance supervisor and some clerical help.

V. PROGRAM DESCRIPTION

In this area of Alabama, CETA Balance of State programs are often tied closely to local government. The federal programs coordinator works for the county probate judge, the elected chief administrative officer, and for the board of county commissioners. The county probate judge was as anxious as any local official to see Craig Field turned into an economic asset. A primary problem for the Authority was to keep the air field and buildings in good physical condition so that new industries would be attracted to Craig Field.

CETA public service employees were the critical solution -- 24 of them for a year at a cost of $293,333. The 10 firemen, seven policemen and seven laborers would perform maintenance and provide security. They would be employed by the Authority as it rented buildings to industry and began to generate its own income.

VI. IMPLEMENTATION PHASE

While CETA PSE participants maintained buildings and grounds and provided security and fire protection, the new industrial authority, cooperating with the revitalized Chamber of Commerce and backed by city, county and Chamber money, set out to promote industrial development for Selma and Dallas County. The promotion effort encompassed more than Craig Field. Since the city's general aviation airport, Selfield, was no longer needed now that Craig Field's three paved runways were available, the Authority also began promoting and attracting heavy industry to Selfield. For Craig Field, the Authority particularly wanted to attract industries related to aviation and reserved those buildings nearest the flight line for those prospects.

Beech Aircraft, a Kansas-based firm and a major manufacturer of small private airplanes, was enticed to come when told of the excellent aviation facilities, easy access to the runways, and the available spacious hangars. The availability of experienced aviation workers who had previously had jobs with the Air Force at Craig was another inducement to Beech for coming to Selma. Today, Beech has 80 employees who install navigation equipment in planes made in Kansas and flown to Selma for final fitting out.

A potato processing firm employs more than 25 persons.

There are several enterprises involved in machinery production including the manufacturing of heavy duty lawnmower housings (nine employees), a tool and die machine shop, CAMCO, employing 15 skilled machinists, and a general machine shop, Diversified Machinery, employing three persons.

In addition to Beech Aircraft, another aviation-related industry is Jet Exteriors, which repaints and refurbishes aircraft exteriors (12 employed persons).

Polymer Metals, Inc., is a building materials manufacturer producing high quality plastic coated steel siding for residential and commercial buildings. Polymer expects to double its current work force of 15 in 1980. Polymer's imported tonnage of steel is sufficient to make it the major user of the projected Alabama River port facility when it begins operation. The Airport and Industrial Authority will promote and supervise the dock facility, too.

As mentioned previously, Cothran and Company is a local speciality craft firm employing 35 persons. Cothran needed additional facilities to expand and located at Craig Field where a large building was available, suitable for the placement of large large storage racks and wired for heavy duty electricity needed by the sewing machine equipment.

In addition to the private enterprises located at Craig Field, there are over 105 public sector jobs that are located at Craig Field. One of the biggest public sector employers is the George Wallace Community College with 15 jobs and over 200 students annually.

Over 700 Alabama State Troopers come to Craig Field each year for various types of training. During their training they reside in dormitory facilities at Craig Field but contribute to the Dallas and Selma economy by patronizing the many area retail and eating establishments.

For the general benefit of the community, the Authority allows a local entrepreneur the use of the old Craig Field Golf Course in return for its upkeep and management. The Craig Field Golf Course generates enough income to provide five jobs.

While the military folks left as planned, the 940 civilians did not become the unemployment problem anticipated. About a third retired. Another third went elsewhere with the military. The remaining 300 are among many of those employed in Craig's new industries today. This is especially true at Beech Aircraft.

VII. PROGRAM OUTCOMES

Approximately 300 persons now work at industries at Craig Field. The effort for further development continues. Indeed, community leaders cite a new spirit of cooperation that has come as people worked together to overcome the loss of Craig Air Force Base and attract new industry. The more than 500 units of housing on the base remain empty, but negotiations continue with the General Services Administration, and there is firm hope that some of the housing can be made available to Dallas and Selma families with low to moderate incomes.

VIII. SUMMARY

What at first sounded like disaster for the economy of Selma and Dallas County brought the community leadership together for renewed economic development efforts that are paying off. The Defense Department's Economic Adjustment Committee played a crucial role in providing technical assistance in planning and analyzing assets that would remain after the 38-year-old pilot training center closed. The community was able to focus on some of its historic assets and plan a restoration project to attract tourists. In August the Industrial Authority selected a site for a state dock on the Alabama River in anticipation of increased shipping activity and industry when the Tennessee-Tombigbee Waterway is completed. CETA provided crucial help to keep the base grounds and buildings in good condition during the Authority's first successful year of attracting industry.

Case Study:
MOAPA BAND OF PAIUTE INDIANS
Moapa River Indian Reservation
Moapa, Clark County, Nevada

THE MOAPA INDIANS IN NEVADA USED LAND CLAIMS SETTLEMENT FUNDS TO ESTABLISH A RESERVATION DEVELOPMENT FUND.

GROWING HYDROPONIC TOMATOES IN PEAT BAGS IN GREENHOUSES, THEY SOLD THE FIRST CROP FOR $20,000.

CETA, EDA, AND OTHER AGENCIES, SPARKED BY STABLE, DETERMINED MOAPA LEADERSHIP, HAVE PROVIDED TRAINING AND CONSTRUCTION FUNDS. A $600,000 ANNUAL SALES FIGURE IS IN SIGHT.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

The year 1968 was a landmark year for the Moapa Paiute Tribe. In that year, and as part of the Indian Land Claims Settlement, the Moapa Tribe received about $1.5 million through the Southern Paiute Award. The Tribal Council voted to divide those monies into two pools, about 40 per cent to be distributed to individual tribal members on a prorata basis and 60 per cent to be put into a pool as investment funds to nurture economic growth and job development for the fewer than 200 persons living on the reservation or others wanting to return.

About this time, Mr. Mike Ostanik became associated with the tribe on a part-time employment basis serving as economic planner, principal fund identifier and grant writer. With Mr. Ostanik providing technical support and the pool providing investment capital, the small Moapa Tribe began a campaign to develop the reservation's economy toward a long-range goal of self-sufficiency. One major step is the tomato greenhouse project, the focal point of this study.

For a long period prior to 1968, the farmable acreage on the reservation had been leased to an outside farm with the knowledge and support of the Bureau of Indian Affairs (BIA). The first economic development decision made in the post-Indian Land Settlement Award era was to take back the farm and operate it as a tribal business. The timing for this was right and the tribe has operated it as a viable economic enterprise.

The effort to construct new homes to replace the existing railroad tie homes began in 1970. Fifteen homes were constructed in 1970; 17 were added in 1971; the last ten were completed in 1978. Forty-two new homes were added in an eight-year development period.

The Community House was built in 1975-76. At one end of the Community House is the tribal store which serves tribal and area residents. The store is also a viable tribal enterprise.

A construction company was formed in the early 1970's. The objective was to use tribal construction skills to the extent possible and to create a profit-making business.

B. Relevance to Other Area Economic Development

The tomato project is of significant economic size and stands to prove of profound economic consequence to the Moapa Band of Paiutes. However, the tomato business being developed is only one of five businesses created over the last 10 years and operated by the tribe. The development and operation of the five businesses and the construction of the new houses must be viewed as a composite economic development thrust. It is not meaningful to single out one business and describe it in an isolated fashion as if it were unique, because it is the overall process of economic development observed on the Moapa Reservation that is useful elsewhere.

From the point of view of this group, the key to success in rural economic development is, "Think small; do what is feasible." Do not get consumed by the availability of huge funding pools. Make sure that whatever is initiated is completed with facility and is of a quality to merit pride. This "think small" advice is viewed as necessary if required confidence building is to take place.

C. The Project and the Five M's

It has been suggested that rural economic development depends upon the so-called five M's. These are materials, money, markets, manpower, and management. The Moapa Tribe has had a good supply and a proper mix of these resources. Arable agricultural land is in limited supply and is confined to the valley bottom, but there has been an ample amount of non-arable land quite appropriate for the placement of new homes, the leather shop, the community building and store, and the tomato project. The adjacent farm which was recently purchased will add to the available arable farm land and will provide room for additional home construction and the placement of other community activity centers.

The "money" resource was triggered by the 1968 Indian Land Claim Settlement Award, and has been effectively augmented at appropriate times and in adequate amounts through the relentless pursuit of available economic development and employment and training funds.

The question of markets is most relevant to the business enterprises. The leather shop is oriented toward the regional and the national market for finished leather goods, but has limited objectives in that it is oriented toward the reservation and the near-reservation market for groceries and related goods. The farm is oriented toward the open market for agricultural goods, and there happens to be a nearby dairy which provides a ready market for reservation-produced hay. However, barley and cattle are sold off reservation at market prices. The market in the first year for tomatoes has been Las Vegas, which will continue.

The Moapa Tribe is small in numbers. As with other Indian tribes, and often the case with minority groups, the unemployment rate experienced by the tribe has been considerably higher than the national average, though accurate statistics are not readily available. The ball-park figure seems to be about 35 per cent. Thus, in terms of pure numbers, each new tribal business enterprise could be initiated knowing that there was a pool of labor available to it. In the case of agriculture and construction, it was also known that members of the tribal labor force displayed considerable experience in many of the relevant work areas. Though there have not been many (perhaps none) tribal members certified as journeymen by the building trades council, this does not indicate a lack of skills or work experience in a variety of apprenticeable or certifiable construction trade areas.

In the case of the leather shop and the tomato enterprise, the tribe had enough underemployment so that generating manpower would not be difficult. In addition to the on-reservation tribal labor force, as many as 100 tribal members are living off the reservation, a good portion of these having needed skills. A good number of this group is regarded as interested in returning to the reservation if housing and jobs are available.

If there is a key to the Moapa success, if there is an element which makes a $2.5 million tomato project remotely feasible, it lies in the management skills available to the tribe. Tribal management includes the Tribal Council which, in an 11-year period, has had to assume some risks, has had to commit tribal resources, and has clearly supported the idea that economic development is the key to the improvement of life for the tribe. There also has been stability in the position of the tribal chairman, held for the last eleven years by Mr. Preston Tom. These leaders have acquired their management skills where they could.

In terms of the organizational structure relevant to the management of tribal enterprises, four positions are held by non-Indians. Mr. Ostanik, the tribal planner and primary fund raiser, has clearly had a major role in the Moapa success. As with Mr. Ostanik, the tribal business manager, the manager of the greenhouse and tomato enterprise, and the health planner and personnel officer are all non-Indians; yet they all appreciate the importance of the development process, identify with it and realize a sense of accomplishment in what has taken place.

D. Preliminary Assessment of Success

Through the funding arrangements described here, the initial half-acre greenhouse has been constructed, a second 2.5 acre greenhouse is nearing completion, and a third (also 2.5 acres) has been started. The initial greenhouse has gone through one production cycle and has harvested one crop. The project has produced identifiable employment impacts.

During the construction phase of the greenhouses, the tribal construction company was involved on a contract basis. The CETA ESP grant paid the salary for Mr. Harold Goldsmith, who served as the training supervisor for greenhouse personnel, and supported 15 trainees during the first year of greenhouse operation. These were totally new and continuing employment opportunities on the reservation. During the second year of operation, with the completion of the additional five acres of greenhouse, the CETA ESP funds will provide continuing training and employment for the first 15 greenhouse workers plus training and employment for an additional 15. The permanent employed labor force at the greenhouse is expected to be between 25 and 30 on a continuing basis.

This stable employment opportunity for 15 to 30 tribal members has reduced unemployment on the reservation and provided opportunities for tribal members currently living off the reservation who want to return. The tomato operation has expanded the total tribal payroll and has raised the level of consumer demand among tribal members. This is expected to create the need for an additional person or two to work in the tribal store.

E. Difficulties and Advantages in Project Development

In spite of the significant economic development during the last 11 years, there have been problems in planning and implementation. Problems relate to capital access and acquisition or to bureaucracy or to statute. In many respects, problems are interrelated, and some are unique to Indian tribe economic development efforts.

The key to understanding the capital access problem lies in the fact that reservation land, while ostensibly the property of the Indian tribe, lies in trust with the Federal government, with the BIA supervising the trust administration. An Indian reservation technically constitutes "another country." The government on the reservation is the tribal government, the state or county having no direct legal jurisdiction. Litigation involving reservation land or assets is handled first by tribal jurisprudence and, if appealed, by Federal court.

A conventional approach to capital acquisition would be to solicit commercial bank or insurance company assistance, but conventional lending procedures require that collateral be provided. Business enterprises situated on reservation lands cannot be taken as collateral since the land is in Federal trust; thus, in the case of a $2.5 million tomato producing enterprise, nothing can be borrowed against the value of the physical plant although short term borrowing against tomato production income might be possible. This situation severely restricts available development capital. Conventional lenders are not geared to the institutional and legal conditions characterizing an Indian reservation.

In the category of bureaucratic impediments, two considerations arise. In the course of this 11 years of successful economic development, the Moapa Tribe has established dealings with a variety of Federal and non-Federal agencies which provide funds. However, since the administrative offices of these agencies are geographically dispersed, expensive communication and transportation arrangements and considerable management time are often required.

F. Overview of Case Study to Follow

This case study focuses on the development of a commercial tomato production business on the Moapa River Indian Reservation in southern Nevada. Using cooperative funding arrangements including both CETA and non-CETA sources, the result will be a $2.5 million physical plant with a commercial value of approximately $5 million. The description reveals the rural characteristics of the development project, the sound business and economic principles under which it operates, the creation of new jobs, and the cooperative nature of its business arrangements. The lessons to be learned should be of interest to CETA operators and to anyone interested in the process of rural economic development.

There are considerations, however, which must be understood to place this project and its accomplishments in perspective. The economic development project described here was undertaken by an Indian tribe — the Moapa Band of Paiutes. The physical location of the project is on an Indian reservation - the Moapa River Indian Reservation in Clark County, Nevada. These are significant considerations because of the implications for the planning process used, the types of linkages required, and the constraints, impediments, and risks of operating the project. The factors involved here are of primary importance to CETA Title III eligible groups; they are perhaps less relevant to CETA balance of state prime sponsors.

The Moapa tomato project has involved six primary agencies; a seventh agency was approached but did not become involved in the project:

(1) Moapa Band of Paiutes Business Council: The Council is the tribal government, and consists of six members elected to three-year terms. One is elected as chairman. For any economic development project on the reservation, the council must approve all dimensions of project development and operation. In the case of the tomato project, the council approved the proposal to apply for both training and construction funds; it committed $150,000 of tribal money to construct the initial half-acre greenhouse and is responsible for all additional funds acquired and associated with the project.

(2) The Intertribal Council (ITC): The ITC is housed in Reno, Nevada, and is the eligible CETA Title III agent in Nevada, through which all CETA Title III Section 302 monies are channeled. With respect to the tomato project, the ITC was involved in recognizing the availability of CETA Economic Stimulus Program (ESP) monies in the Fall of 1977 and encouraging the Moapa Tribe to apply for tomato project training funds. The ITC had to endorse the Moapa application.

(3) Division of Indian and Native American Programs, Employment and Training Administration, U.S. Department of Labor: A portion of the Economic Stimulus Program money was allocated to Native American programs in 1977. The Moapa application for ESP funds, sent to Mr. Sandy McNabb, director, Division of Indian and Native American Programs, was for two years of funding for a training program for workers involved in the tomato project. The initial application for first-year funding was for $188,000, but the total award was for $237,000. Second year funding is $193,000.

(4) The Community Planning and Development Division, U.S. Department of Housing and Urban Development: On May 11, 1978, a proposal was transmitted to Ms. Astrid G. Trauth, director, Community Planning and Development Division, HUD, in San Francisco Regional Office, requesting a $1.47 million block grant, spread over three years to be committed to the construction

of the two 2.5 acre greenhouses for raising tomatoes. The block grant has been approved; and construction of the first greenhouse is nearing completion. The foundation work for the second 2.5 acre greenhouse is under way.

(5) The Economic Development Administration: On December 15, 1978, a proposal was directed to Ms. Phyllis Lamphere, regional director, Economic Development Administration in Seattle, Washington, under the Economic Development and Public Works Program. The proposal was for $68,000 to support construction of a tomato packing facility. That proposal was approved and foundation work is under way. The packing plant will be in operation during this harvest year.

(6) Bureau of Indian Affairs: The BIA has been supportive of the tomato project from its origin. In terms of a funding for the project, the BIA has provided $20,000 through the Washington, D.C., Office of Business Enterprises for a marketing feasibility study and for funding a tribal economic development brochure.

(7) The Four Corners Regional Commission: On February 22, 1978, a proposal was submitted to the Four Corners Regional Commission for a demonstration grant on an energy resources and employment development program, requiring $70,000. The request was for support of the construction of half of the initial one-half acre greenhouse, the argument for the demonstration stating that this was a novel employment development effort and that efforts were under way to negotiate the purchase of excess steam heat produced by Nevada Power Company at the nearby electric generation facility. Such a use of secondary energy would be a useful demonstration in the energy field; however, the Four Corner Commission could not approve the grant request as a demonstration. The Commission, therefore, has not played a continuing role in the tomato project development.

II. GENERAL BACKGROUND

The tomato project is located on the Moapa River Indian Reservation (in the Moapa Valley) about 55 miles northeast of Las Vegas, Nevada, and about three miles west of Interstate Highway 15 near the small towns of Logandale and Overton, Nevada.

The reservation land was designated by Congressional Act in 1873 when 39,000 square miles were set aside. The area was expanded slightly in 1874, and in 1975, the reservation was cut back by the Federal government to slightly over 1,000 acres. Recently, the tribe has purchased a small farm adjacent to the reservation. The area under tribal control now is slightly over 1,200 acres.

On the basis of considerable success in several economic development projects and reliability concerning contractual agreements, the tribe has petitioned the Federal government to return 70,000 acres to the reservation, and there are two bills in Congress that would provide for this expansion.

The reservation is located in north central Clark County, Nevada. The land surrounding the reservation is spectacularly desolate. The valley is bounded by the Arrow Canyon Range, the Muddy Mountains and the Mormon Mountains. With the exception of the green farm fields on the valley bottom, the land supports predominantly mesquite, sagebrush, rocks, and alkali dust.

The nearest towns of any consequence are Logandale and Overton, Nevada, located at the upper end of Lake Mead. These are bedroom communities of the city of Las Vegas.

In terms of traditional measures of population density, Nevada is sparsely populated. The Las Vegas and the Reno-Carson City SMSAs dominate as population centers with most of the state characterized as "the wide open spaces." The area

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surrounding the reservation falls into this class and is distinctly rural.

The population of Nevada for 1979 is estimated at 722,210. Of that number, 11,170 (1.62%) are estimated to be of American Indian descent. Clark County shows a 1979 population of 393,820. Of that number, 1,630 (.41%) are identified as American Indian. More than half of the state's population resides in Clark County. The Clark County Office of Comprehensive Planning estimates that Las Vegas population alone is growing at the rate of 5 per cent a year.

The relevant economic area is the Moapa Reservation. Its economy is characterized by a construction company (1978 payroll $170,549) and a leather shop (1978 payroll $67,702). In addition to the business payroll and revenues, tribal administration had a payroll of $53,723 in 1978. The success of the tomato operation hinges substantially on being able to market the tomatoes in the Las Vegas area, and in 1978 the first crop was sold there for $20,000.

The work at the leather shop is tied to regional and national leather goods trends, currently oriented toward leather cases for CB radios and an executive leather goods line. The construction company is heavily oriented toward on-reservation activities, but does some work off the reservation. The farm is oriented entirely toward competitive agricultural markets; its output consisting of hay, barley, and cattle.

The important point here is that the reservation economy does not "look like" the dominant Las Vegas or state economy which are dominated by gambling, retail sales and construction. If the Tribe is successful at acquiring the 70,000 acre expansion, opportunities will exist for new retail and service businesses.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

This section deals with educational, social, cultural, and economic characteristics of the reservation population. Hard data in this subject area are extremely limited. The data cited come from interviews with the tribal business manager and with the personnel office/health planner. Much of the information was generated for an April, 1979, health survey as part of a plan for the Indian Health Service.

The on-reservation population in 1979 is 189. In 1978, the figure was 154, but reservation population statistics are not available for years prior to 1978. Of the 189 residents in 1979, 99 are male and 90 are female. It is estimated that an additional 100 Paiutes are living off the reservation, many of these related to reservation residents through family ties. It is estimated that a good portion of the off reservation 100 would move back to the reservation if housing and jobs existed.

Data on educational levels is limited. The health survey revealed an approximate median educational level of the 10th grade. A few residents are known to have gone to college (community college) but no specific information was available about structured vocational training, though high school aged youngsters have access to vocational education courses in the public schools. High school graduation is becoming the norm for the youths. CETA has supported vocational training in the leather shop, in some secretarial areas, in a mechanics training class, and in the greenhouse.

Data on individual and family income is also sparse. Source of income is predominantly wages, with unemployed tribal members eligible for Indian General Assistance. Other real income can be accounted for through medical services derived through the Indian Health Program and some welfare and food stamp income, but it is estimated that the volume for these is small. Indirect

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evidence of this is provided by the fact that there has been some difficulty in maintaining the eligibility of the reservation store to receive food stamps, as store eligibility is based upon having a particular volume of commodities sold.

The median family income level of $5,000 cited in 1978 distorts to some degree the economic status of the families. There are 42 families on the reservation, this number corresponding to the fact that there are 42 houses, all built in the last 10 years with HUD funding assistance. The houses are neat and durable and provide a direct contrast to the railroad tie houses that existed prior to 1970. The payments and/or rents on these homes are very low and are structured to fit family income. As indicated earlier, the tribe has acquired a 250-acre farm adjacent to the reservation. Some of that land is committed to the construction of 40 low rent houses. Funding has been approved and construction plans are being finalized. Those homes will allow off reservation tribal members to return.

Current records show the employed tribal labor force consisting of 90 workers. Recently developed position descriptions distribute the labor force by occupational area as follows:

	Number	Per Cent
Managers and administratives except Farm	12	15
Sales Workers	7	9
Clerical and Kindred Workers	8	10
Craftsmen and Kindred Workers	7	9
Operatives, except Transport	7	9
Laborers, except Farm	5	6
Farmers and Farm Managers	1	1
Farm Laborers and Farm Foremen	25	31
Service Workers, except Private Households	8	10

These employment data include two non-tribal members working in managerial or administrative positions on a full-time basis. The 90 workers are employed in the five tribal businesses and in tribal administration.

The application for CETA ESP funding for the tomato project cited a tribal unemployment rate of 35 per cent. The tribal business manager and the personnel manager indicate that this rate is the norm on the reservation, but there are no hard data to verify this. Another issue concerns workers who are working part-time but would prefer to work full-time and those who are working at jobs requiring less skill and experience than they have. The business manager asserted that there was considerable underemployment, defining this non-traditionally by his observation that the tribal labor force is characterized by much intelligence and physical dexterity which is not fully developed or has not been tested. Either job opportunities have not been available or the labor force members have not had the opportunity to acquire the training which would tap their potential.

The political structure and the political forces operating on an Indian reservation in matters of economic development are quite different from those observed in and around a CETA Title II prime sponsorship. The tribal council constitutes the government of a separate nation, and intergovernmental relations consist of those statutory, regulatory and administrative arrangements that exist between the tribal council and the Federal government. The Bureau of Indian Affairs has primary oversight and administrative responsibilities. With respect to the Moapa Tribe, the accomplishments reflect an assessment by the Tribal Council that economic development is the key to tribal economic survival. The council has voted to commit tribal monies to investment in a significant way, those decisions constituting a forced saving decision and a willingness to forego

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consumption today for higher incomes and more economic security tomorrow.

There is evidence of intergovernmental politics. Nevada Senator Howard Cannon visited the reservation for the opening of the tomato greenhouse and his office was used for gathering information during the review stage of the CETA ESP proposal. Nevada Senators Cannon and Laxalt and Representative Santini have apparently been impressed by the depth of commitment in the Moapa Tribe and the success of these economic development ventures. These legislators have sponsored bills in each House proposing to expand the size of the reservation by 70,000 acres. Those bills are rationalized, in part, on historic and moral grounds, and in part on the basis of the economic success the Moapa Tribe has achieved.

Several observations can be made about the social, cultural, and economic values revealed on the reservation. First, there is a revealed pride in being Indian and in the economic development that has been achieved on the reservation. With respect to maintaining or promoting Indian identity, however, families are not placing heavy emphasis on maintaining some of the traditions as youngsters are not required to use the language, and there is no apparent use of tribal art forms to promote or advertise tribal identity.

The success of economic development on the reservation will depend, in many ways, on cultural attitudes toward work and education. Until 11 years ago, on-reservation work opportunities were extremely limited, unemployment was high, and dependence on Indian General Assistance was great. Alcoholism was a revealed social problem. In the past 11 years, alcoholism has not disappeared, but access to regular work and involvement in tribal business enterprises has diminished the problem somewhat. In this same period, significant improvement in the work ethic among the labor force has been noted even though some workers still display a certain casualness toward work which affects labor force productivity and enterprise profits. In many respects, labor force members do not always fully appreciate the linkage between the success of tribal enterprises and the long-term economic security of the tribe on the one hand and the need to be productive and reliable workers on an individual basis on the other.

There is also a self-perpetuating norm for educational aspirations. Since the median education on the reservation is tenth grade and some persons in managerial or forman positions have achieved less than a high school educational level, there is a reluctance to write job descriptions for positions which require a high school or higher education. Progress in improving a productivity oriented work ethic or in stimulating aspirations for higher educational achievement are regarded as requiring more time and patience.

An anomaly exists on the reservation with respect to the role manpower programs have played in the economic development process. With the exception of the infusion of CETA ESP funding for the tomato project, neither CETA nor MDTA has played a substantial role in tribal progress, nor is there evidence that employment and training programs play a significant role in the rural area surrounding the reservation. MDTA played a role in providing training funds at the outset of the leather shop enterprise, and three of the 11 current leather shop employees are CETA trainees. The tribe is sponsoring a mechanics training program with an instructor and six trainees who are supported by CETA. Recently, the Overton, Nevada, senior citizens organization made nine CETA PSE positions available to the tribe which will be used to support the Head Start and day care program on the reservation. While these illustrations of CETA are not to be minimized, employment and training programs do not appear to have been systematically involved in the long economic development process described here.

On the matter of social services, the tribe has the traditional support from the Indian Health Service. Unemployed tribal members also are eligible for support from the Indian General Assistance Program. School age youngsters attend public schools in Overton, Nevada, the public school linkage being the only traditional one with a non-Federal service agency.

IV. PLANNING PHASE

Planning for an economic development project or an employment development project can appear either structured and formal or casual and unstructured. The planning for Moapa tomato project, representing $2.5 million in development, construction, and training costs, was orderly and professional, but did not involve the usual set of consultative steps that CETA organizations may have to undertake.

Over the last ten years, the Tribal Council and the professional consultant grant writer who serves as tribal planner have been looking for development opportunities which would best utilize tribal resources. Through a mutual friend, the tribal planner was introduced to Mr. Harold Goldsmith, recently back from Israel and Europe, where he worked on a tomato producing cooperative that used hydroponic greenhouse production methods. In Holland, Mr. Goldsmith had also observed the use of peat moss bags for growing beds. Mr. Goldsmith was looking for an opportunity to develop a greenhouse and a hydroponic tomato production enterprise, as the City of Las Vegas provides a huge market for vegetables, taking 45 tons of tomatoes alone per week. In a sense, this initial contact with Mr. Goldsmith planted the seed of an idea that the reservation might be a proper site for such an industry.

At that point in the planning process, no development funds were identifiable. Exploration of alternate greenhouse designs was undertaken, along with a market study of the demand for tomatoes in Las Vegas. This phase of the planning process can be described as organized but not intense or complex. The tribal planner was convinced of the feasibility of the project, so contact was maintained with Mr. Goldsmith, then holding a position in a state government agency in Las Vegas.

The impetus to the development process came when the tribal planner was notified through the Inter-Tribal Council in Reno, Nevada, that $2 million in economic stimulus monies were going to be made available to Indian tribe applicants. It was suggested that the Moapa tomato project might fare well in competition and that the ITC would endorse the proposal.

The proposal was completed and delivered in ten days. This was possible because of the background research that had already been completed concerning greenhouses, market demand, consultative advice from the Cooperative Extension Service, and the availability of knowledge about where developmental funds would be available.

There was one fundamental decision that the tribe's Council had to resolve as a prerequisite to the grant proposal submission. The ESP grant proposal was seeking more than $300,000 to support a two-year training program which would provide the labor force necessary to operate the tomato greenhouse program. However, ESP funds could not be used for construction. The key to the project was the initial half acre greenhouse required to test the concept, provide a training site, and demonstrate the process. Half the funds for the initial greenhouse were being sought through the Four Corners Commission, as it was already established that the BIA did not have such funds. Thus, the tribe had to make decisions to commit $75,000 to $150,000 in tribal monies if required. That commitment was made in the proposal and was designated as matching monies. This resource commitment was made from the so-called perpetual fund of monies received in 1968 as part of the Indian Land Claims Settlement process.

The Moapa proposal did not encounter initial success in the ESP review process. However, at that stage, the tribal chairman and the tribal planner knew the project was feasible, economical, and that it was "right." They pressed for a second hearing on the proposal which did lead to approval of the grant request.

This created the opportunity to hire Mr. Goldsmith as a greenhouse developer and manager and also as the principal trainer in the training process. Tribal monies were committed to send Mr. Goldsmith and a tribal member to Europe with the mission of examining alternate greenhouse designs and do further research on the idea of peat bag bedding processes.

Concurrently, the tribal planner began laying the foundation for the submission of a proposal to HUD and to EDA for funds to develop the full greenhouse complex and the tomato packing shed. Up to $2 million has been acquired from those agencies to support project completion.

The tribal objectives associated with this project have never changed--to develop an economical and viable profit making industry on the reservation that provides a revenue base. The major problems have concerned the diverse geographical locations of Federal offices and the time required in proposal review, approval, funding dispursement, etc., which has been costly and has affected completion dates and crop production.

V. PROGRAM DESCRIPTION

On an Indian reservation, there is no tax base to expand or contract. A reservation like the Moapa Reservation tends to be located in remote and rural areas, the land surrounding it having historic and cultural meaning to the Moapa tribe. As it does not have a thriving economy, the Indians associate with the reservation for several economic, social, and cultural reasons, but life on the reservation has historically been one of poverty and poor health.

At this juncture, economic development is perceived as the key to the future. It is the avenue through which a revenue base can be created and jobs developed and is the vehicle for producing income which permits Indian youngsters to stay in school. Income also permits the establishment of better medical care programs and provides for better diets.

The Moapa Business Council has established a goal statement which reads:

> Our mission is to advance the Moapa Band of Paiutes and preserve their homeland by building an independent and self-governing community that provides an opportunity for all people who have a commitment to this mission.

The idea that economic development and established business practices are synonomous is conveyed by both the tribal chairman and the principal managers and planners. Development activities must earn a profit to be successful. It has been this attitude that has supported the development of the five reservation businesses. This business orientation is paralleled by another judgment about the future. The tribal leadership and managers feel that it is getting more difficult to acquire subsidies oriented toward Indian groups. If that judgment is correct, there will be a point in the near future when all that is left is what has been established through previous efforts. Future economic viability will hinge upon the character of the businesses established now. This belief is so strong that it has led to a sense of urgency about accelerating the pace of development now.

Tribal economic development objectives reveal no signs of having changed. There is a recognition that there are limits to how much development is feasible, required, or possible. The more specific delineation of future development objectives are hinging upon Congressional action upon the request for the

70,000 acre addition to reservation properties, and if that is approved, a number of uses have already been identified, a set of preliminary approaches to funding has been delineated and the development options over the next decade or two will have been established.

VI. IMPLEMENTATION PHASE

At the time the ESP grant was being reviewed, Mr. Harold Goldsmith continued research into the proper characteristics of a greenhouse designed for tomato production in the Moapa Valley. A crucial question during this planning stage had to do with specifications for the greenhouse heating system. Oil and natural gas prices were already escalating. What would be a profitable greenhouse operation under one set of energy prices would be a grossly unprofitable operation under higher prices. Given the commitment to proceed, an oil burning water heating system was installed, but additional research was also done into alternative fuels and heating systems. The initial half acre greenhouse was ordered from the firm of V. & V. Noorland, a Netherlands-based firm with American outlets.

Site preparation for the initial greenhouse was performed by the Moapa construction company. Actual construction was performed by the Moapa construction company with supervision provided by the V. & V. Noorland Company. During this construction phase, 15 to 20 jobs were created for tribal residents over the eight-month duration of the construction project.

The Department of Labor ESP grant became effective February, 1977. The selection of trainees began in June, 1977, and fifteen were identified. Their training, consisting of a combination of classroom instruction conducted in the community house and on-the-job training conducted at the greenhouse site, covered a variety of work tasks. These included peat bag filling, seed bed preparation, transplanting, planting area preparation, management of irrigation systems, mixing and application of fertilizers, mixing and application of various plant sprays, harvesting of tomatoes, and packing and shipping of tomatoes.

The initial CETA ESP grant application was for $188,000 in the first year, but due to a revision of specifications, the first year funding was $237,000. The grant application showed 61 per cent of the total budget for labor (including compensation to trainees, salary for the training supervisor, a trainer/counselor, and secretarial assistance), 7 per cent for travel, and 34 per cent for equipment and site rental. (The greenhouse constructed by the tribe and a portion of the community houses were rented to the project at $1.20 per foot per year. This amounted to $29,000 in rental fees on the greenhouse which had a total cost of $154,000.) The budget for the second year of training was $193,000, its internal distribution identical in percentage terms to the first year funding. Relying upon the numbers cited here, the cost per trainee during the first year was $13,200. Second year costs would be $7,720. Between the first and second year, there will be some turnover among the trainees, and some of the training will be repeated for replacements. Those trainees who continue will have their skills reinforced.

It must be made clear that the work tasks for this operation do not fall in the menial and unskilled categories. In established greenhouses, workers have high school degrees at minimum and often college degrees. The work involves equipment handling, equipment regulation, applied chemistry, and sensitivity to management objectives. The acquisition of satisfactory productivity in a greenhouse is acquired through many months and years of experience. The per trainee costs cited above do not appear out of line when this fact is recognized.

What has been, and what is, CETA's role in this development project? It would be unfair to say that, if the CETA ESP funding has not been made available, the project would not have come to pass. On the other hand, the prospect of CETA ESP funding accelerated the planning process. The advent of ESP funding forced the commitment of tribal monies to the construction of the first half acre greenhouse, and this combination of events established a base upon which the reviewers of the HUD and EDA grant applications could make their decisions. Since there was a momentum, a physical plan and a revealed commitment, the risk of the expansion funding was much reduced from the point of HUD and EDA.

Equally important, the HUD and EDA funding was for physical plant; but a physical plant and a production process cannot be operated without trained personnel. The production process in question requires above-minimum training and works best with a continuity in the labor force. The CETA grant provided the vehicle for training the labor force, as funds did not appear available from alternate sources. The CETA grant does not provide expressly for the purchase of "bricks and mortar" or for construction, but to the extent that CETA regulations permit paying rent for training sites, this allowed for partial recovery of the cost of constructing the initial greenhouse. This fact lessened the real costs to tribal resources and made the initial investment lower.

VII. PROGRAM OUTCOMES

The CETA grant and initial greenhouse construction provided short term employment for 15 to 20 construction workers and 15 trainees during the first funding year. The 15 greenhouse jobs are permanent jobs. On completion of the second two greenhouses the trainee/greenhouse workforce will expand to 25 to 30 workers, and will reflect a permanent increase in tribal and reservation based employment. A net addition to jobs means higher reservation income and an expansion of the wage and income base. To the extent the greenhouse workers come from the unemployed ranks on the reservation, it also means higher family incomes.

The tribal leadership and business managers are aware that the wage structure on the reservation must be consistent with the productivity of the jobs and the profitability of the business enterprise, but there is no presumption that union or prevailing wages must apply. To the contrary, there is a recognition that the average education and the skill level of the labor force is modest, and wage scales are consistent with this observation. Wages at the minimum wage level are not uncommon, as the minimum wage was paid to greenhouse trainees. Higher wages are observed on the construction crews. A personnel program is being designed at this time with one objective of establishing uniform and consistent wages in comparable work classifications.

An Indian reservation does not have a tax base, but does have an economic base, the strength of which can be measured by changes in the wage bill and in changes in the gross revenue of business enterprises. Upon completion, the tomato enterprise will dominate tribal revenue production. The hybrid tomato plant being raised will produce 20 pounds of tomatoes per plant. The five acre greenhouse site will contain 60,000 plants. At an average figure of 50 cents a pound, this translates to $600,000 per year in revenue. In addition to financing the 25 to 30 permanent jobs, the tomato enterprise should produce a profit which will increase the tribe's capital base. Tomato revenues will also provide collateral for short-term financing.

VIII. SUMMARY

The Moapa Tribe has successfully expanded its revenue-producing opportunities through the development of a fairly large-scale tomato growing enterprise. Funding was obtained for construction of several greenhouses, and CETA funds provided the necessary support for training 15 to 20 tribe members in the skills of greenhouse management and tomato production. Now in its second year, the tomato enterprise seems destined for continued success as it uses the large market demand of the Las Vegas area for fresh vegetables. This economic development effort has produced for the Moapa Tribe an increase in permanent skilled jobs and family incomes, a sense of dignity and self-worth, and a distinct expertise that will certainly be valuable in the future.

Case Study:
COMPREHENSIVE EMPLOYMENT PROGRAM
MICHIGAN GOVERNOR'S SPECIAL CETA GRANT
Charlevoix, Michigan

THE STATE OF MICHIGAN USES GOVERNOR'S SPECIAL GRANT FUNDS TO OPERATE A COMPREHENSIVE EMPLOYMENT PROGRAM WHOSE PRIMARY PURPOSE IS JOB GENERATION.

ALLIED WITH INDUSTRIAL DEVELOPERS IN THE DEPARTMENT OF COMMERCE, THIS CETA GROUP HELPS ATTRACT INDUSTRY AND THE JOBS IT BRINGS TO RURAL MICHIGAN BY OFFERING TAILORED TRAINING AND OTHER EMPLOYER-ORIENTED SERVICES. MICHIGAN'S CETA-BASED EFFORT ATTRACTS MORE THAN 1,000 NEW JOBS A YEAR.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

In the early 1970's the State of Michigan realized that it was losing jobs to southern states at a rapid rate. Southern states were attracting industries away from the midwest by offering more favorable tax laws, lower unemployment compensation tax rates and cheaper labor. That organized labor was not strong in the southern states was another factor. It also was noted that the states of South Carolina and North Carolina provided industrial training as an added inducement to attract new industries.

Michigan began examining its business environment to determine how best to retain established industries and businesses and be more competitive in attracting new employers. The recession of the 1970's was beginning to manifest itself in growing unemployment rates. This motivated Michigan to place a high priority on creating new employment opportunities for its citizens.

In 1973, the Office of Economic Opportunity (OEO) funded a Comprehensive Employment Program in the State of Michigan. It was with these monies that Michigan first married training to economic development. Thus, the first "Comprehensive Employment Program" (CEP) with the aim of creating new jobs through a customized training program for new industries was formed. Enrolling its first participants in November, 1973, the CEP program under the able direction of Mr. Robert Fraser, trained 489 participants at eight locations throughout the state of Michigan during the next 13 months.

Now the Comprehensive Employment Program is a highly regarded economic development tool in Michigan. It is closely coordinated with the state's Department of Commerce whose staff actively promotes the CEP program to lure industrial clients. State legislation is pending that would provide funds to augment CETA money -- an irrefutable acknowledgement of its success and of its value to the state's efforts to create additional employment opportunities.

B. Relevance to Other Area Economic Development

Although funded today by the Governor's CETA Special Grant, the CEP office, because of its economic development linkages, is more closely identified with the state's Department of Commerce than it is with the Michigan Department of Labor of which it is actually a part. A primary mission of the Department of Commerce is to develop the economy by coordinating all of the state's economic development resources; i.e., tax legislation, industrial site identification, industrial training and capital for expansion. More importantly, the Department of Commerce is engaged in an active public relations campaign aimed at both Canadian and U.S. business interests. By assembling a total package of benefits, the Department of Commerce is successful in attracting new industries and assisting the expansion of existing businesses.

C. This Project and the Five M's

Financing for this type of economic development effort comes from CETA, state funds and private industry. Private industry puts up the capital for materials and construction costs, and CETA and state funds cover the costs of designing and implementing the needed training. Several tax exemptions are awarded when economic development ventures meet other required conditions.

Management of this project is the primary responsibility of Mr. Fraser whose single-minded commitment to creating new jobs through expansion of the new business sector accounts for a large measure of the considerable success of this program model. With an eye for economic expansion, Mr. Fraser and his staff demonstrate unusual entrepreneurship. They are able to determine what an employer's interest in training may be, to what extent that interest can be accommodated by the program and how adequate training can contribute to the creation of new jobs. If their assessment of a proposed training project does not promise a return of ten or more new jobs, they reject the training opportunity.

Manpower is the crucial element of this economic development effort. The promise of a labor force available and ready to work productively is a significant element in the success of the project, and its chief selling points for business. Therefore, when it is shown that CEP can effectively recruit participants who have the attributes needed, identify training resources, design a training curriculum to accomplish the training objectives and manage the training activities to a successful conclusion, CEP becomes an important element of the economic development effort.

Encouragement of business expansion also is made possible by Michigan's supply of natural resources that are frequently needed by plastics and chemical companies. This includes a large supply of natural gas and iron ore, fresh water, forestry and wood products, and water transportation via the Great Lakes. Energy shortages have added to the attractiveness of Michigan to many industrial firms.

Michigan's location makes it possible for finished products to be near several major markets. An example is the automobile manufacturing industry in Detroit that requires many prefabricated elements that are assembled into the finished product in Detroit. Firms producing such items as dashboards and engine parts are attracted by the close proximity of their market. Energy shortages and labor strikes have encouraged some midwestern manufacturers to move closer to their market in Michigan.

D. Preliminary Assessment of Success

With an average training cost of $907 per unit per year in 1978, CEP has thus far trained 4,720 participants and 4248 of these were placed into unsubsidized jobs. In addition to the successful placing of CETA participants in unsubsidized jobs, CEP has contributed to the establishment of new businesses in predominantly rural areas. These new businesses have generated 5,664 new jobs.

The Charlevoix Manufacturing Company is a typical example of one of these projects. CEP designed and implemented a training program that resulted in a total of 32 new jobs in rural Charlevoix County. CETA participants were placed in each of these positions. The average entry wage was $4.25 per hour. The firm anticipates an expansion to 100 employees during the next five years.

E. Summary of Difficulties or Advantages in Project Development

One distinct advantage that CEP has is a close linkage with the state Department of Commerce. This allows it to get far greater exposure to the private sector and the benefit from the Department of Commerce's marketing efforts. Both CEP and the Department of Commerce are concerned with one objective -- the expansion of business and the creation of new employment opportunities in the State of Michigan. CEP's role in achieving this objective is well integrated with this comprehensive economic development approach.

Another advantage is the flexibility of Governor's Special Grant funds under CETA. CEP is not limited to any prime sponsor jurisdiction or geographic area. CEP can identify and serve CETA participants to promote economic development without feeling constrained by those considerations. In fact, CEP activities are usually found to be very beneficial to prime sponsors. Prime sponsors usually assume any OJT contracts that are developed by CEP. This enhances the prime sponsors' opportunities for succesful placements.

A disadvantage is posed by the changes in CETA regulations that limits all participants to those meeting the criteria of economically disadvantaged. This limits the pool of applicants that CEP may enroll for training.

F. Overview of Case Study to Follow

This case study highlights the Charlevoix Manufacturing Company. However, there are numerous other examples of similar projects that throughout CEP's history have involved nearly 70 different industrial concerns in almost as many different locations. This case study will describe the process CEP uses to research training needs, design customized training, develop training resources and manage the training itself. In addition, it will reflect the well-tested formula for success that has permitted CEP to apply a traditional CETA training approach to accomplish economic development in rural areas.

II. GENERAL BACKGROUND

With the advent of CETA in 1974, CEP derived its funds from CETA 4 per cent discretionary money, but in no other way did it change its standard operating procedures. Its linkages with its Department of Commerce and the staff's orientation toward economic development have resulted in CEP's being viewed more as an economic development agency than as a training agency. It is this orientation of service to industry that is the basis for CEP's excellent relationship with the private sector. Staff members are as concerned with changes in the economy as with the training activities. They are as familiar with how expanding businesses can take advantage of tax benefits as they are with how to tap vocational education institutions for training resources. Staff are adept consultants to businesses seeking the most favorable location for expansion, often doing much of their own marketing.

Michigan offers a number of incentives to new industry. In addition to CEP and job training, there are four principal tax benefits that encourage expansion in Michigan.

- Plant Rehabilitation Act
  Public Act 198 of 1974 allows local units of government to offer a property tax incentive to encourage renovation or replacement of obsolete industrial facilities and to attract new plants. For a plant rehabilitation (or replacement), the state valuation of the industrial property can be frozen and remain at the level assessed on the obsolete facility prior to the improvements, even though the restoration or replacement substantially increases the true cash value of the facility. For a new plant, actual property tax liability on plant and equipment can be reduced 50 per cent. Both incentives apply for 12 years.

- The Single Business Tax
  The Single Business Tax (SBT) took effect January 1, 1976. It is promoted as a business incentive because it replaces a complicated and often inequitable system

of multiple taxes and applies equally to all forms of business enterprise. A major feature is the capital acquisition deduction that allows a business to deduct 100 per cent of the cost of capital goods acquired during the tax year from the tax base; this creates a cash flow advantage.

- Economic Development Corporations (EDC)
  Public Act 338 of 1974 authorizes the creation of local Economic Development Corporations that can utilize the condemnation powers of municipal government to assemble large parcels of land for industrial purposes. In addition, an EDC can impose a special tax, the proceeds of which can be used to improve commercial districts.

- The Job Development Authority (Public Act 301 of 1975)
  The Job Development Authority (JDA) is authorized to issue moral obligation bonds. Funds generally can be used for direct loans, loan guarantees, and participation in loans that finance the construction, acquisition, expansion or renovation of industrial and commercial buildings, machinery, and equipment. Because the Authority bonds are tax free, funds of the JDA can be employed at a lower net cost to the borrower.

The Charlevoix Manufacturing Company responded to the tax incentives offered by the State of Michigan, the CEP training that would be provided and the attractiveness of the area. Starting a new production process with no experienced personnel usually results in a lengthy period of limited productivity -- a costly factor to consider when expansion is considered in a a new area. Mr. Jim Hater, manager of the Charlevoix Manufacturing Company, was well pleased with the quality of the workers trained by CEP. It is CEP's satisfied "customers," such as Mr. Hater, that has resulted in a demand for CEP services. CEP, thus, is able to set minimum standards before it will help -- no fewer than 10 jobs with no wages below $4 an hour. Charlevoix Manufacturing exceeds these requirements.

III. SOCIAL/CULTURAL ENVIRONMENT OF THE PROGRAM AREA

The State of Michigan is the nation's seventh largest state in population. With a land area of 56,817 square miles, it has a population of more than 9 million. From Detroit, its major city near the southeastern border, to Ironwood at its northwestern corner, the distance is more than 600 miles. Michigan is basically composed of two major peninsulas projecting into the Great Lakes. It is thus endowed with 3,121 miles of Great Lakes shore line and harbors opening onto major shipping lanes. Over 90 per cent of its population is located in the southern region which is dominated by the major urban centers of Detriot, Lansing, Grand Rapids and Kalamazoo.

By contrast, the northern and western extensions of the peninsula are sparsely populated vast reaches of open land containing farms, forests and a significant fishing industry. The northeastern corner borders Canada. This nearness to Canada has considerable influence upon Michigan's expansion policies and strategies, causing the Department of Commerce to devote much of its efforts to recruiting Canadian business and industry into Michigan.

The average per capita income in the State of Michigan is $5,944, which is 9 per cent above the national average. The median family income is over $15,000 per year, again much higher than the national average. The state's rural population is almost exclusively Caucasian with small numbers of Hispanics and Indians. Michigan has a significant number of blacks in the urban centers of Detroit, Flint, Saginaw, Pontiac, and Grand Rapids.

Charlevoix County is one of those sparsely populated rural areas bordered on the west by Lake Michigan. It extends north to Emmet County where the Mackinac Bridge joins the lower Peninsula with the Upper Peninsula. Charlevoix County has a 414 square mile area that has a projected 1980 population of 20,876. It has enjoyed an unusually high growth of population (26 per cent) over the last five years. Population centers in Charlevoix County are Charlevoix, 4,000; Boyne City, 3,000; and East Jordan, 2,000. The nearest major city is Grand Rapids, approximately 200 miles to the south. Over 16 per cent of the county's population are below poverty level incomes. In Charlevoix County, there are approximately 1,000 families receiving public assistance. A Michigan Employment Service Commission (MESC) study shows that 50 per cent of all Job Service applicants are economically disadvantaged.

Most employed people in Cherlevoix County work for manufacturing concerns (2,525), in local government (1,000), in retail trade (800), or as service workers (700). Manufacturing accounts for more than one-third of the wages earned in Charlevoix County. Tourism is a growth industry and provides many jobs in food service and other service related occupations. The major manufacturers in the area produce wire, electric products, components for plastic and die casts, air conditioning instruments, manhole covers, lenses and refractors. The single largest employer is the East Jordan Iron Works with 500 workers.

County government is under the control of a nine-member board of commissioners. Most of the county employees are persons with specific training, but who acquire their expertise on the job. Labor unions are not active in the area that has been dominated by chronic high unemployment rates for the past decade. Tourists are attracted by the unspoiled open country which offers a good highway system, clean air and miles of shoreline. Outdoor activities dominate the recreational interests of both visitors and residents.

IV. PLANNING PHASE

The Charlevoix Manufacturing Company is a wholly-owned subsidiary of an Ohio-based firm which manufactures hydraulic brake posts. Fuel shortages and the coal strikes discouraged further expansion in Ohio. Natural gas supplies, tax incentives and the overall attractiveness of the area were the primary considerations for locating the new branch of the firm in Charlevoix. The local community college, North Central Michigan College, learned of the firm's interest in the area during a preliminary review of possible sites in Charlevoix. This information was passed on to the local CEP program representative who initiated the contact with the president of what was to become the Charlevoix Manufacturing Company.

Planning is crucial to the success of this kind of training effort. The CEP representative, Mr. Dar Bluhm, worked closely with the firm's agent, Mr. Hater, to explore his manpower needs in terms of number, timing, and particular job requirements. In addition, it was necessary to analyze the manufacturing process to determine the skills needed by the workers. The firm was to manufacture metal brake pistons. That would require two general categories of workers, machinists and molders. Upon examining the process to be used by the firm, Mr. Bluhm identified the process to be similar to that of several previous projects. This aided in establishing more quickly a curriculum for the pre-employment training.

An outline for a curriculum evolved with close collaboration from Mr. Hater. This curriculum outline was then shared with the North Central Michigan College, which in this instance was to serve as the training agent. CEP and the college jointly selected an instructor, giving a great deal of consideration to related work experience and demonstrated skills in the processes and equipment to be used by the firm. The instructor then followed up CEP's visit to the firm to refine the curriculum outline, and to identify specific areas for instruction and the equipment that would be needed. Fortunately, the specialized equipment was available through the local school district. Had it not been available, CEP would have conducted a state-wide search to identify the needed equipment. Once the plan for the training program was completed, a contract was negotiated between CEP and North Central Michigan College.

CEP then contacted the local Job Service office to recruit and refer CETA eligible participants seeking this type of occupational training. Again, close coordination with the employer characterized the planning process. CEP believes it is important that the employer be involved in all steps of the planning process and most especially that the employer have a voice in the screening and selection of trainees. In this instance, the Job Service identified interested individuals who were CETA eligible and established a place in the Job Service office for Mr. Hater to conduct interviews.

The planning process for this project demonstrates an important element of the CEP approach. CEP carefully orchestrates the resources needed to produce appropriately trained workers. In this instance, the major agencies were the North Central Michigan College, CEP, the employer, and MESC. Later, a second group of CETA participants was trained on the job. (CEP avoids negotiating OJT contracts with employers and prefers to defer to the local or balance of state prime sponsor.) The prime sponsor became another participant in this project by providing 12 OJT positions for molders.

At each step of the planning phase, CEP was ever mindful of its role to serve the interest of the employer by building a properly trained and productive work force. At the same time, CEP limited training applicants to CETA eligibles, thereby further assuring that CETA goals would be reached.

V. PROGRAM DESCRIPTION

The CEP training design called for classroom training for 27 participants divided into two groups. The first group of 16 individuals received 200 hours of instruction in basic machine workshop in five weeks. The second group of 11 students received 160 hours of similar instruction during four weeks. Classroom training was followed by on-the-job training through a contract with the prime sponsor. The on-the-job training not only reinforced the instruction in the classroom but also provided an added inducement to the employer.

Specific training topics were:

- shop mathematics
- blueprint reading
- firefighting
- shop safety
- personal safety
- first aid
- measuring devices
- practical machine operation
- inspection
- quality control

Equipment used in training was quite similar to that to be used by the company.

Of the 27 participants trained, most were between the ages of 22 and 24; eight were females and one was an American Indian. Hired by the employer were 17 machine operators, four quality control inspectors, and two utility workers. Starting wages were $3.90 an hour for inspection workers and $4.25 for others.

VI. IMPLEMENTATION PHASE

The training process began with the screening by MESC. Individuals were selected based upon employment history and interest, and an initial group of 33 eligibles was referred to the employer for interviewing. MESC provided space for the interviews by the employer and also assisted by scheduling appointments. An interview took 15 minutes and consisted of an examination of the applicants' attitudes and employment backgrounds. Out of this initial 33, 16 were selected for training. A second group of 34 was referred for the following class. A similar procedure was followed, and 11 people were selected for training. CEP established a timetable for the beginning of training so that completion of training would coincide with the anticipated need for workers.

During the training itself, a company representative visited the training site to assure that training was relevant to the company's needs. Frequent meetings among the CEP representative, the instructor and company representatives were held to discuss the progress of the training. The CEP representative coordinated and monitored the training program.

After classroom training, the local prime sponsor negotiated an OJT contract with the assistance of the CEP representative. The trainees were then initially employed by the firm as OJT participants for a period of 26 weeks. Although the OJT portion of the training was not a CEP-funded activity, CEP's follow-up on this aspect of the total training package assures that the process is successfully completed.

The conclusion of the program is follow-up and evaluation. The evaluation is retained by CEP for future reference and for identifying particular problems that may be averted in future training situations.

VII. PROGRAM OUTCOMES

The most important outcome of this project is the establishment of a productive work force for a new company. Normally, the training for a production process is managed by coaching the new employees on the job. When there are no experienced workers to provide the coaching or training of new employees, the firm is in a dilemma. The chief deterrant to the usual training mode, then, is the lack of an experienced work force to transfer skills to members of the new work force. According to Mr. Hater, the pre-employment training saved between $10,000 and $15,000 in lost production time. This becomes a real incentive for locating in Michigan.

The Charlevoix Manufacturing Company's annual payroll in 1979 was approximately $250,000. Within five years, the firm expects to expand to employ 100 persons. At the end of the first year of operation, Charlevoix was employing 42 people and anticipated adding 20 more in the near future.

In addition to the 42 new jobs created, there have been increases in trucking business to accommodate the company's needs for transportation of the raw materials and the finished products. The plant construction itself provided more than four months of steady work for construction crews. Mr. Hater believes that pre-employment training is much more critical to small businesses such as his where loss of production time can make a critical difference to the company's profit margin. He now has an experienced work force and can once again use job coaching as a way of training for his production process. In addition, he has become more aware of some related training that he views as desirable for new employees, i.e., training in first aid and safety procedures. Therefore, another outcome of this experience is a heightened awareness on the part of the employer of the need for training not amenable to the traditional OJT approach.

Not the least accomplishment of this project is that it provided unsubsidized employment for 32 CETA participants. Although the CETA participants began their employment at entry level jobs, they have had opportunities for advancement with commensurate salary increases. Others have found attractive job offers with other companies as a consequence of their training.

The successful training efforts by CEP have reinforced its acceptance in the community by employers, educators and other agencies concerned with unemployment. This will serve to facilitate future opportunities to replicate the training model. This has proven to be the case. CEP in the State of Michigan today enjoys a popularity that comes only from success.

VIII. SUMMARY

In this economic development example, there is a well-refined, carefully managed application of traditional CETA training -- classroom training that accommodates an economic development objective. It could be said that the CEP model represents superior management of a traditional training approach. Its crucial features are concentrated on short-term training, close coordination with employers and management by an unusally adept staff. A certain entrepreneurship is apparent when one examines the manner and style with which CEP uses its community resources, available manpower and technology to further economic development.

In not every CEP program does the project come off without unexpected problems. In fact, maintaining tight control over the operation of the training program is strongly recommended. In every case, CEP regards an employer as a client and attempts to serve that employer's interests by providing the trained labor and identifying other aids that might be of benefit to the business. Considerable care, for instance, is taken to relieve an employer of much paper work associated with participation in a training project. Focus on services to the employers has made it possible for CEP to use CETA money as an inducement for new companies to hire CETA participants.

Some problems in the past have stemmed from the lack of an educational institution to do the training. In such a case, CEP staff members themselves either handled the classroom instruction or hired an instructor on a personal services contract. In many instances they have rented space, set up the classroom with the needed equipment and provided all the services that they would otherwise have contracted to an educational institution.

If the training is so highly specialized that instructors are difficult to find, CEP hires a member of the employer's work force to conduct the training.

Identifying appropriate trainees is also often cited as a problem under the CETA regulations. The CEP staff has often found that much of the private sector is prejudiced against economically disadvantaged people, believing them to be not as ambitious or well motivated as other potential workers. Although CEP staff members have no evidence to support that theory, they find it difficult to persuade employers to accept severely disadvantaged people if they are so labeled. Thus, they substitute the label "unemployed" for "economically disadvantaged." CEP has no particular selection process but relies upon the employers to identify through normal selection procedures those trainees who would be desirable employees. There is some concern that the CEP program model will be detrimentally effected by new CETA regulations that clearly limit eligibility to the economically disadvantaged. They feel that this will stigmatize the program and limit interest in participating.

The CEP staff also would view the cutback in travel funds as a possible obstacle to achieving the maximum program benefits. At present, field staff must supervise program activities dispersed over large geographical areas. Limited travel funds would prevent them from providing the control and employer contacts that are necessary. This would be particularly damaging to programs in the rural areas.

Over the years, CEP perfected what now is a standardized approach to economic development. Its staff establishes contact with employers who will be requiring new employees, offers its services for pre-employment training and, if other inducements are necessary, offers on-the-job training. CEP surveys the resources needed to train CETA eligibles, marshals those resources, coordinates them, controls the project, completes the paper work and then evaluates the results. This flexibility and ingenuity enable the CEP staff to respond to a vast array of employer training needs. This versatility has assured CEP of a signifiicant role in the state's economic development and the training needed for the new jobs.

Case Study:
KORS, INCORPORATED
CHAMPLAIN VALLEY WORK
AND TRAINING PROGRAMS
Rutland, Vermont

A PLANT CLOSING IN A SMALL RURAL STATE BECAME A SUCCESS STORY WHEN A PRAGMATIC BUSINESSMAN DISCOVERED THE POTENTIAL IN THIS COMMUNITY FOR THE ESTABLISHMENT OF A NEW INDUSTRY THAT WOULD NOT VIOLATE THE LOCAL CONCERNS OVER PRESERVATION OF THE ENVIRONMENT. WITH THE HELP OF CETA TRAINING PROGRAMS AND FINANCIAL AID FROM MANY OTHER LOCAL SOURCES, A THRIVING MANUFACTURING PLANT FOR PLASTIC BAGS HAS HELPED RUTLAND'S ECONOMY AND ENABLED RURAL WORKERS TO FIND NEEDED JOBS. CETA PARTICIPANTS REFURBISHED AN OLD FOUNDRY BUILDING, AND THE NEW COMPANY USED ON-THE-JOB TRAINING.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

When an out-of-state machinery company closed in 1977, it left in downtown Rutland, Vermont, a cluster of four dilapidated buildings, one erected in 1858, and all without major repair since 1929. The Rutland Industrial Development Corporation decided to buy the buildings, refurbish them and try to attract new industry. By the end of 1978, Kors, Incorporated, a firm that produces plastic bags, was moving in machinery. Today, Kors employs more than 60 persons and projects an annual payroll of $850,000. The project also involved CETA, the state industrial development authority, local banks, the Economic Development Administration, the Small Business Administration, the area economic development agency and the private industrialist who founded Kors, Mr. Robert M. Kotzek.

B. Relevance to Other Area Economic Development

The Rutland project is one of several new industries that Vermont has been carefully and cautiously trying to attract in recent years. Concerned about the environment and the preservation of the rich, rural beauty of the state, Vermonters do not seek just any sort of job-generating development, but look for quiet non-polluting industries. In the Rutland area, over the years, as marble and slate mining declined and railroad employment dropped, the Rutland Industrial Development Corporation, financed at first with private local funds, has attracted a General Electric plant that makes jet engine parts, a Tampax plant, printing firms, and others. General Electric, when it came in 1957, had plans to employ no more than 500 persons. Today it employs 2,000. The effort of the Rutland Industrial Development Corporation to take over the abandoned foundry buildings and turn them into the Rutland City Industrial Center was a logical extension of the long-term concern that the private businessmen who make up the corporation have shown for the economy of Rutland.

C. This Project and the Five M's

Money and management were crucial elements in the Rutland project. Manpower was available, through CETA and in the community generally. The materials were the old buildings themselves and the petroleum-based resin that is turned into the thin plastic bags. The market is there, too, especially in the northeast, and it is expanding as more plastic sheets replace waxed paper in places like meat markets. The money came from many sources: private backing for the long-standing Rutland Industrial Development Corporation, a loan from the Vermont Industrial Development Authority to purchase the buildings, an Economic Development Administration grant to refurbish some of the buildings, CETA funds to pay public service employment participants to repair the buildings and to train Kors employees later, loans from local banks to finance Kors machinery and the investment that Mr. Kotzek himself made to get the business started. Mr. Kotzek provided the management as well, based on his training and more than 15 years with Du Pont in Canada and the United States.

D. Preliminary Assessment of Success

The success of the Kors plant in Rutland came about because of Mr. Kotzek's decision to go into business for himself, and his subsequent systematic search for the best possible financial arrangements in several northeastern states, all possible sites so far as the marketing and manufacturing are concerned. The success is due, also, to the Rutland Industrial Development Corporation's determination to turn the aged buildings near the center of the city into useful, productive property housing industry that provided jobs for persons in the Rutland area. Many other agencies were involved also, as will be described later. The result is a business that is already expanding, one that projects a $10 million investment and the employment of 180 persons within four years.

E. Summary of Difficulties or Advantages in Project Development

The Rutland project has the advantage of involving several agencies working in cooperation toward the single goal of creating new jobs. At the local level, the development corporation, the economic development council for the area, and banks were willing to help as were the state CETA progam and the state industrial development authority. There was federal help as well, through an Economic Development Administration grant and a commitment for a Small Business Administration loan. One element that was particularly convincing from Mr. Kotzek's point of view was the ability of the public and private agencies in Rutland and at the state level to make prompt, firm commitments. For him, this was a major factor that resulted in the location of Kors in Vermont instead of in one of four other states where he had looked thoroughly.

F. Overview of Case Study to Follow

The study that follows will describe the geographic area where Kors located, provide background on the people who live and work there, relate the Rutland economy to Vermont's, follow the planning and implementation activities of the agencies and individuals involved in generating the new jobs, explain the role of CETA in this economic development effort and describe the outcomes.

II. GENERAL BACKGROUND

The Rutland Industrial Development Corporation was first formed in 1937 as a stock issuing corporation, then reorganized into a nonprofit corporation in 1955 and financed with the issuance of long-term, non-interest-bearing debentures. That reorganization resulted in working capital totaling $166,000. A more recent refinancing effort in 1977 raised the operating capital to $300,000, with three local banks giving $25,000 each. Some individuals who invested earlier in the interest-free debentures were persuaded to turn the principal into donations, and other interest-free debentures were also issued.

The corporation is composed of Rutland businessmen whose long-term concern is jobs for Rutland citizens. Members are bankers, merchants, lawyers, accountants and others. For many years the president of the corporation was the publisher of two of Vermont's daily newspapers in Rutland and Montpelier. Affiliated with the Rutland Chamber of Commerce, the corporation has often met in chamber offices and, to some degree, has used chamber staff over the years. Staff work has come from board members as well -- a lawyer who donates time on legal matters and an accountant who serves as treasurer and keeps the books. Help has also come at times from members of the Rutland newspaper staff whose time was donated by the publisher, Mr. Robert Mitchell.

More recently, there has been help from the Economic Development Council of Southwest Vermont. Formed in 1976, the council serves local development agencies in Rutland County and in adjacent Bennington County to the south. The council has been particularly helpful to the Rutland Industrial Development Corporation and its efforts to revitalize the foundry buildings; its three staff members prepared an Economic Development Administration grant application for money to refurbish them. The council staff was involved in early contacts with Mr. Kotzek as he prepared to establish Kors and also negotiated the basic lease agreement between Kors and the Rutland Industrial Development Corporation. Only in 1979 did the Rutland Corporation move to employ its first full time staff member.

The Rutland Industrial Development Corporation has, over the years, sought to attract new industries to the area. To attract a printing firm, for example, it spent $10,000 to develop a suitable site, then sold part of the developed land for $7,000. This loss was recovered later when the plan needed more land for expansion. The corporation also built what is called a "speculation" building -- one that is constructed when no specific occupant is at hand but is built for the purpose of attracting an industry in need of a finished building. The occupant of that building is a mail advertising company.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Rutland County has 10 per cent of Vermont's 9,267 square miles. With 54,839 persons, it has 11.6 per cent of Vermont's 472,073 citizens. The City of Rutland has a population of 18,559. Despite its relatively small size, Rutland is Vermont's second largest city, a reflection of the truly rural character of the entire state.

The regional economy is based on agriculture, manufacturing and tourism. Rutland is the commercial and transportation hub of a southwest Vermont trading area that has an estimated 120,000 persons. Historically, the economic base was tied to the mining of marble and slate, to a concentration of railroad jobs and to agriculture. Agricultural jobs dropped from 18.1 per cent to 4.5 per cent of the total during the past four decades, while trade went from 15.3 per cent to 20.5 per cent and service went from 14.7 per cent to 19 per cent. Government employment in the same period went from 2.8 per cent to 13.2 per cent.

The service and related jobs particularly reflect growth in tourism and recreational activities. Summer visitors are estimated to spend $84 million in the Rutland area, and those who come to ski in the winter spend an estimated $53 million.

Rutland generally has a lower employment rate than the rest of Vermont, a fact attributed to having a smaller portion of its labor force dependent on durable goods jobs than is the case for the state as a whole. Unemployment has not been below 6 per cent in Vermont since 1970, reaching 10.2 per cent in 1975 and gradually returning toward 6 per cent since. In Rutland, unemployment reached 9.5 per cent in 1975, went to 9.8 in 1976 and was at 8.1 per cent in 1977, the year of the closing of the foundry that previously occupied the building now used by Kors.

In Rutland County, per capita income in 1977 was $5,888 while it was $5,822 for all of Vermont. Of 3,143 counties in the United States, Rutland's rank in per capita income in 1974 was 1,676, and its rank in median family income was 923. A total of 1,152 families or 9 per cent of the county's 12,800 families had incomes below poverty level when the 1970 census was taken, and 14.3 per cent had incomes below 125 per cent of poverty level.

Rutland's labor force numbered about 26,000 in 1978, and manufacturing wages averaged $4.62 per hour while the non-manufacturing average was $3.69 per hour. About 21 per cent of the jobs are in manufacturing.

In 1976, there were 2,470 recipients of Aid to Families With Dependent Children, 1,288 recipients of Supplemental Security Income, and 10,352 persons receiving Social Security payments. In Vermont, more than 57 per cent of the population over 25 have four years of high school or more education while 2.2 per cent have fewer than five years of schooling.

IV. PLANNING PHASE

The old Patch Wagner foundry buildings have been a fixture in downtown Rutland for more than a century. At one time the foundry employed as many as 350 persons, but employment had been declining steadily over the years. The family firm was sold in 1977 to an out-of-state conglomerate, but within months, the new owners decided to close the foundry, laying off the remaining 50 or so workers. The new owners gave the high cost of complying with pollution control requirements as the reason for closing.

The Rutland Industrial Development Corporation, long involved in the economic growth of Rutland, decided to buy the four buildings, refurbish them and try to attract new occupants. At the time the buildings were bought, the Development Corporation had no specific industrial prospects, and the man who ultimately located Kors in the largest building had never considered locating in Vermont.

To buy the land and buildings, the Development Corporation obtained a loan of $205,000 from the Vermont Industrial Development Authority. This state agency uses state-appropriated funds to make loans to local industrial development corporations in Vermont. It also examines the fiscal soundness of prospective business ventures and guarantees loans, usually for equipment, made by local banks.

The first major task of the Rutland Corporation was to put the buildings in a condition that would be likely to attract industries. That, according to one person familiar with the buildings at the time, was no small task. "It was a shambles," was the description. "The first job was to clean up the junk."

The Economic Development Council of Southwest Vermont, which serves Rutland and Bennington counties, was already familiar with the Rutland group's aims. The council, at the corporation's request, prepared an application for six CETA public service employment participants who would clean up the buildings, paint portions and replace broken windows.

The application for the PSE participants went first to Champlain Valley Work and Training Programs, Inc., then to Vermont's state CETA office where it was approved. The six PSE participants worked about six months on the buildings, with a total cost to CETA of approximately $16,000.

Vermont is a single state-wide prime sponsor for CETA. To implement its CETA programs, the state contracts with Champlain Valley Work and Training Programs for CETA services in 11 of Vermont's 14 counties and with another private nonprofit organization for services in the other three northeastern counties. Champlain Valley Work and Training Programs is a spin-off of a community action agency, its sole function being the operation of employment and training programs.

The Rutland Industrial Development Corporation obtained loans of $45,000 and $90,000 from the Vermont Industrial Development Authority for building repairs. In addition, local banks loaned $199,000 and $165,000 for other repairs and improvements, including such things as rewiring and installation of sprinkler systems. With the help of the Economic Development Council's staff, the Rutland group obtained from the Small Business Administration a loan of $72,000, which also went for building improvements. The $45,000 and $199,000 loans were used for improvements to the building later to be occupied by Kors, with other loans going for improvement to other buildings in the group. Again, with help from the Economic Development Council, the Rutland Industrial Development Corporation obtained a $400,000 grant from the Economic Development Administration. Some of the grant grant money went to pay off earlier loans and some went into building improvements. The corporation does have long-term plans to spend upwards of $1 million to refurbish all four buildings to get them in use by industries.

All of the activities to purchase the buildings and refurbish them took place between mid-1977 and the latter part of 1978, and Mr. Kotzek did not become aware of this situation until May of 1978. He set out in early 1978 to make a systematic search of four northeastern states to find a place to establish Kors. Vermont was not one of those states. He spent nearly four months visiting other states, discussing financing possibilities with state and local industrial development groups and inspecting possible sites. In only one other state did Mr. Kotzek find a state agency with a bureaucracy small enough and quick enough to provide him the answers he needed, but in that state, local banks did not seem interested in making equipment loans. In three other states, Mr. Kotzek found the agencies with which he sought to deal splintered and not organized well enough to give him answers and commitments. In some instances he was actually sent from agency to agency and often found each agency interested only in its own narrow range of programs and unable to plan cooperatively with others.

In Vermont, where he came almost by accident and not first to Rutland even then, Mr. Kotzek found an entirely different situation. The result of his inquiries was his decision to establish Kors, Incorporated in Rutland using one of the refurbished old Patch-Wagner buildings to house his business.

Mr. Kotzek went to Springfield, Vermont, because a personal acquaintance invited him and his wife for the weekend. He liked the area, and a phone call to the Vermont Industrial Development Authority resulted in a prompt meeting between Mr. Kotzek and the staff of the industrial authority.

Mr. Kotzek describes the work of the industrial authority as being "head and shoulders" above anything he had encountered in the four states he had visited earlier. He attributes this to a "small bureaucracy," tightly organized and able to respond promptly. Moreover, the authority enjoys an excellent reputation among Vermont bankers. Once the authority's staff examines a business prospect's plans, approves them and pronounces the proposition fiscally sound, there seems to be no hesitancy on the part of Vermont bankers to make loans and otherwise participate in industrial financing.

Members of the industrial authority staff were familiar with the Rutland Industrial Development Corporation's plan to improve the foundry buildings and attract industry, in part because the authority had already made loans to aid with the improvements. After examining Mr. Kotzek's plans and agreeing to guarantee a portion of his equipment loan, the state staff referred Mr. Kotzek to the Economic Development Council of Southwest Vermont, one of whose constituents is the Rutland Corporation.

As Mr. Kotzek recalls the events, he called the publisher of the Rutland newspapers who then was president of the Rutland Industrial Development Corporation. The corporation's board met the next day, heard his proposal and agreed on the spot to support his efforts and to try to work out a lease for one of the Patch-Wagner buildings. That was in early May of 1978. The fact that Mr. Kotzek had also obtained approval for a $400,000 equity loan from the Small Business Investment Corporation of Vermont put him in the position of being able to move quickly toward production, once agreement was reached on the Rutland building. The Small Business Investment Corporation of Vermont had moved promptly, committing $100,000 of its own funds and $300,000 in a parallel loan from the Memorial Drive Trust Pension Fund, which is the trust fund of the Arthur D. Little Company.

Within seven weeks -- by June 21, 1978 -- all the fiscal arrangements were agreed to, and Mr. Kotzek was ready to start ordering machinery to be used to produce the plastic bags and wrapping sheets.

Mr. Kotzek had needed $1,686,000. The Howard Bank and four others worked together to provide a loan for much of it. The German company from which Mr. Kotzek was buying the machinery financed 25 per cent of its value. The Vermont Industrial Development Authority guaranteed the bank loan for 90 per cent of 80 per cent of the value. Mr. Kotzek, meanwhile, was investing $250,000 of his own, not to mention the long hours -- 12- and 16-hour days became routine -- that he and his wife put into the business.

The Rutland Industrial Development Corporation, with the help of the staff of the Economic Development Council of Southwest Vermont, worked out a two-year lease with Mr. Kotzek. The lease is renewable for five additional years, and there is an option to purchase.

Mr. Kotzek recognized readily that he might have found a more attractive building and a more pastoral setting for his venture, but he explains his choice his way: "If you wish to solicit the cooperation of public agencies, you must forget about the rose bushes and seeing the Green Mountains. You must be very utilitarian."

As a contracting agent for the Vermont CETA program, Champlain Valley Work and Training Programs was also responsible for implementing Vermont's Skill Training Improvement Program. The state was allotted $881,900 for STIP. The application was filed in the fall of 1977, and the program funded early in 1978;

thus, Kors was not part of the original plan. But apparently, as with several other STIP operators, Champlain Valley and Vermont CETA modified the plan as needs required, particularly when firms which had been made commitments in mid-1977 to participate later found in 1978 that their needs had changed, and they could not.

The staff of the Champlain Valley agency had already been providing PSE participants to make improvements to the building into which Kors would go, so there was immediate awareness of the coming of a new industry and of a STIP prospect.

Mr. Kotzek had not counted on any financial assistance from STIP or any other employment and training program. He had, in fact, assumed that he might recruit experienced workers, primarily from Massachusetts where several plants similar to his are located. The Economic Development Council of Southwest Vermont, familiar with the Champlain Valley programs and with Mr. Kotzek's work force needs, suggested to the Champlain Valley STIP coordinator, Dr. Leonard C. Harlow, that Mr. Kotzek might be interested in a training contract. He was.

V. PROGRAM DESCRIPTION

The Champlain Valley STIP coordinator and Mr. Kotzek got together in the late summer of 1978. They negotiated a contract for $280,000 to provide up to 18 weeks of classroom training and up to 14 weeks of on-the-job training for 28 persons. This group would be virtually the entire starting work force for Kors. Classes began November 13, 1978, in a classroom borrowed from Castleton State College in Rutland, but were moved into the Kors building as space became available. Mr. Kotzek himself taught many of the classes. Some were taught by machinery company representatives, there to install the new equipment. Holding

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classes in the Kors building made it possible to move the instructional setting into the production area itself anytime it was desirable.

Classroom participants were paid allowances of $3.05 per hour. When they moved to on-the-job training the pay was $4 per hour with Kors paying half. The entire training contract was completed well under budget. A total of $169,845 went for training, and $40,399 went for supportive services, for a total CETA cost of $210,244.

VI. IMPLEMENTATION PHASE

When classes were started to teach STIP participants to operate plastic extrusion machines and to shape and package the plastic bags and sheets, it was not necessarily planned that all would remain in the classroom phase the full 18 weeks. They were to move to on-the-job training as they were ready, and some moved as early as the seventh and eighth week of training. By mid-January, 1979, 22 persons were in on-the-job training following classroom phases that varied in length. "All of a sudden we had 26 green people out there," recalls Mr. Kotzek, his number including those few extra persons with some experience who were brought in to supervise.

Although there was the usual set of start up problems -- some caused by the failure of some trainees to perform to Mr. Kotzek's expectations -- production rose steadily. Consumption of resin rose from 8,000 pounds to 250,000 pounds per month by the end of August.

Although 22 STIP participants had been hired in January out of the class that started with 28 persons, it was necessary for Mr. Kotzek to increase his work force to nearly 50 by late summer. By then, fewer than a third of the original trainees remained at Kors. They left for all sorts of reasons; only one was discharged. Of those who remained in early September, two were supervisors of shifts, two were lead machine operators, one was responsible for quality control and one was an extruder operator. Their pay ranged up to $5.75 an hour.

VII. PROGRAM OUTCOMES

Beginning with the empty shells of century-old buildings in 1977, the Rutland Industrial Development Corporation and the many other agencies and individuals involved have moved together to generate more than 60 jobs. The payroll can easily be projected to $1 million per year within immediate plans. As improvement was nearing completion in a second building, Mr. Kotzek was discussing leasing to expand further. He projects an investment of $10 million and 180 jobs in four years. That level of growth could easily result in a $2 million annual payroll. Mr. Kotzek estimates total dollars turned over in the Rutland market by Kors in 1979 at $2.5 million.

VIII. SUMMARY

A determined industrial development organization can, with persistence and perhaps some luck, turn a plant closing into a success story. It took, in this instance, many other agencies, public and private, willing to cooperate and able to do so quickly. While some small, rural states may not see themselves as potential competitors with larger more industrialized states, Vermont's smallness, which resulted in a small staff for a tightly organized state industrial development authority, worked in the state's favor in this instance. Smallness, too, is an element in the ability of agencies like the Rutland Industrial Development Corporation to respond quickly as the group did, for example, by receiving a request for a hearing on the Kors proposition one day and meeting to consider it -- and approving it -- the next.

While these broader institutional aspects were important, so, too, were the personal ability and determination of Mr. Kotzek, the Kors president -- a pragmatic businessman who made a systematic search for the best place to establish his business and found it in Rutland, Vermont. As the Vermont CETA program moves to implement Title VII, the chairman of the Private Industry Council is the man the state's system attracted to Rutland, Mr. Robert M. Kotzek.

Case Study:
BLEYER INDUSTRIES, INC.
SOUTHERN ALLEGHENIES PLANNING
AND DEVELOPMENT COMMISSION
Mt. Union, Pennsylvania

FLOODS, RAILROAD AND STEEL CUTBACKS AND OTHER ECONOMIC DECLINES CAUSED NEIGHBORING COUNTIES TO COME TOGETHER IN A CETA-SPONSORED INDUSTRY HUNT IN PENNSYLVANIA'S SOUTHERN ALLEGHENY MOUNTAINS.

A SINGLE AGENCY--SOUTHERN ALLEGHENIES PLANNING AND DEVELOPMENT COMMISSION--IS CETA PRIME SPONSOR, REGIONAL DEVELOPMENT AGENCY AND CLEARINGHOUSE. THIS UNIQUE COMBINATION OF FUNCTIONS AIDS COORDINATION AND GETS RESULTS.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

After the Pennsylvania Industrial Development Authority backed the construction of a candy manufacturing plant in the small town of Mt. Union, Pennsylvania, the company went into bankruptcy before it ever moved into the new structure. It was not surprising that, because of a play on words, the structure became known in Mt. Union as the "rip-off" building. Nor was it surprising, given the history of aggressive economic development efforts of the Southern Alleghenies Planning and Development Commission which serves the surrounding six-county area, that finding a new industry to occupy the Mt. Union plant was high on the development priority list. The new company did not come quickly. But in 1979, it did. Bleyer Industries, based in Massachusetts, wanted to open new production facilities. The company selected the Mt. Union plant and immediately agreed to hire virtually its entire work force -- 56 persons -- under a CETA on-the-job training contract.

B. Relevance to Other Area Economic Development

The Mt. Union project illustrates the value of strong coordination between economic development efforts and CETA training and placement efforts. In this instance, the two functions were carried out by the same agency, the Southern Alleghenies Planning and Development Commission. Some details of this approach are provided in the case study of Old Bedford Village, a historic restoration project also involving the Southern Alleghenies Commission. Others will become apparent in this study.

C. This Project and the Five M's

For Mt. Union and surrounding Huntingdon County, available manpower was a major contribution. Unemployment above 10 per cent has been common in Huntingdon County for much of the 1970s. Money came in part from the Pennsylvania Industrial Authority through a construction loan guarantee -- though it was originally intended for another company. Bleyer Industries invested more than $1 million in plastic extrusion equipment. CETA provided $19,440 for the training of 56 employees. Bleyer already had the management skills and sent a vice president to direct development of the new plant. Bleyer also had material resources developed; the petroleum-based resin that is converted to pliable plastic sheets which become cupcake holders, candy box liners and shredded artificial grass for Easter baskets comes in by rail. And Bleyer brought markets, too. In seeking a Pennsylvania location, Bleyer was merely moving closer to existing and potential markets.

D. Preliminary Assessment of Success

The 56 persons, many of them former CETA trainees, earn $3 to $4 per hour. The once empty "rip-off" building has a user and potential buyer. There is talk of expansion.

E. Summary of Difficulties or Advantages In Project Development

After the false start in 1974, the Southern Alleghenies Commission made a steady and consistent effort to find a new industry for Mt. Union. When the first overture came from what turned out to be Bleyer, it was masked through a professional firm hired by Bleyer to study possibilities and make recommendations. The cooperative and willing response of an agency like the Southern Alleghenies Commission, which is also the CETA prime sponsor for the area, represents a crucial point for CETA program operators to understand. There is traditionally much secrecy in the business of plant site selection and in the highly competitive business of industry recruiting. Private businesses rarely wish to disclose either to competitors or to the public generally plans that may or may not become reality. Industry recruiters rarely wish to disclose to the next county or the next state that they have a prospect and are presenting information designed to attract new investments and new jobs. This context may be alien to many CETA program operators. Those who cannot find a way to respond in these situations may find their CETA programs the last to know of possible new jobs or may be left out altogether. The Southern Alleghenies Commission combines CETA and industry recruiting in one agency. Indeed, CETA administrative funds pay the salary of a full-time industrial developer who lives outside the area, working much of the time in Harrisburg, the state capital, when not traveling. The intimate knowledge of industry locating and recruiting techniques made it possible for Southern Alleghenies to reply adequately, even to what at first amounted to an anonymous inquiry about possible plant sites, labor force conditions and other facts. The result was 56 on-the-job training openings for CETA participants in Mt. Union, Pennsylvania, population 3,650.

F. Overview of Case Study to Follow

This case study provides information on economic and employment conditions in rural Huntingdon County, Pennsylvania, describes economic development efforts for a rural county tied to a multi-county economic development agency that is also the area's CETA prime sponsor, shows how CETA funds may be used for industry recruiting and describes CETA's role in training the work force for a new industry.

II. GENERAL BACKGROUND

Huntingdon County, Pennsylvania, is even more isolated in the Southern Allegheny Mountains than is its neighbor, Bedford County, described in the Old Bedford Village study. The east-west Pennsylvania Turnpike passes through the Tuscarora Tunnel not far from Decorum in the southeastern tip of the county, and the area's main north-south commercial artery, Route 220, passes through Bedford and Blair counties to the west only to skirt Huntingdon's northwest border as it links Altoona and State College. Its 40,000 residents put it next to the smallest of the six in the Southern Alleghenies Planning and Development Commission's area. Yet, Huntingdon, like Bedford, benefits from its willingness to cooperate with its more urban neighbors in Blair County (Altoona) and Cambria County (Johnstown) and from the view in all six counties that a new job anywhere in the area benefits the entire area.

It is this cooperative spirit, sparked first by the formation of the Southern Allegheníes Commission as an economic development district and strongly reinforced by the formation of a CETA consortium for all six counties, that causes Huntingdon to benefit from a sophisticated industrial development effort combined with the ready availability of CETA training for new jobs.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Huntingdon County, Pennsylvania, ranks number 885 in population (40,031) among 3,143 U.S. counties. Pennsylvania has an average of 264 persons per square mile; Huntingdon has 45. More than 11 per cent of the residents are over 65 years of age, and 27 per cent are classified as urban residents, although the largest town, Huntingdon, has 6,987 residents. Unemployment has not been below 10 per cent since 1975; it was 11.2 per cent in 1978 and stood at 14.1 per cent in the spring of 1979. Its labor force of about 14,100 includes fewer than 5,000 manufacturing jobs. In 1974, per capita income of $3,215 was 72 per cent of the statewide figure and median income for 9,800 families was $7,294 or $2,260 below the figure for all Pennsylvania families. A fifth of Huntingdon's families have incomes below 125 per cent of poverty, and 13 per cent have below poverty incomes. Nearly one-fourth of the residents receive welfare or Social Security payments. The agricultural economy produces more than $12 million annually, mostly in livestock and dairy products. The 608 farms are small, averaging 233 acres with only six having more than 1,000 acres. The result is that much of the agricultural work is done by those who live on the farms, and wages paid to hired agricultural workers are negligible. In many respects, Huntingdon County is similar to its Bedford neighbor, but without the major highways and resulting tourists.

IV. PLANNING PHASE

In the beginning, there was no specific planning in Mt. Union to attract Bleyer Industries. But the more general planning that was done in the Southern Alleghenies region had the result of attracting Bleyer.

Huntingdon County thought it had a major new industry when its industrial commission got loan guarantee help for an industry, but that fell through when the prospective tenant had financial problems in 1974.

It was at the same time that two of Huntingdon's neighbors, Blair and Cambria counties, were deciding not to become separate local prime sponsors under the new Comprehensive Employment and Training Act. Instead, the Blair and Cambria officials were deciding to ask the economic development agency, Southern Alleghenies Planning and Development Commission, to serve as the administrative agent for the consortium. They did so because they had become convinced that only through regional cooperation could the area recover from the Pennsylvania Railroad cutbacks in Altoona and the Bethlehem Steel cutbacks in Johnstown. Huntingdon County, along with Bedford, Somerset, and Fulton, had been members of the commission since its formation in 1968.

The commission is designed to have broad-based involvement, including semi-annual meetings lasting two or three days and involving 300 or more people who help define problems and set goals for the region. A major goal -- always -- is new jobs. Thus, the four, more rural counties in the Southern Alleghenies decided to go with the Blair-Cambria consortium rather than the balance of state. The trust built over the preceeding five years while working together as members of the economic development commission made this choice a logical one. Originally, the smaller counties were fearful of the two bigger counties. A weighted voting arrangement was agreed to, one that seemed to offer sufficient protection to the small counties. Any county can invoke the weighted voting procedure. In the entire history of the Southern Alleghenies Planning and Development Commission, no one has. Today, there seems to be no one involved who feels that the best possible choice was not made.

While detailed planning is important, organizational philosophies can make a great difference in the approach taken by different areas to reach the same goals -- more jobs and more economic activity. The Southern Alleghenies Commission says, "We are committed to undertaking those tasks which pay off in permanent jobs . . . . job creation for the people of these six counties is our mission."

That mission is carried out by being involved in advocating better highways in the area, by supporting improved water and sewer systems, by recruiting new industries, and by trying to secure the new jobs for the unemployed and the disadvantaged through CETA training.

The attracting of Bleyer Industries to Mt. Union and Huntingdon County was an early and direct result of the commission's decision to hire a full-time industry recruiter. This recruiting, backed by a commission moving ahead on industrial development and offering assistance through CETA to recruit and train workers, caused a Bleyer official to say: "I liked what I heard."

A central figure in this overall quickly-turned specific planning and economic development is Mr. Stephen C. Mandes, executive director of the Southern Alleghenies Commission. With a strong interest in the quality of life in the area, he appears to be a person who could lead in many areas, although there is one exception. He is highly skilled in the art of seeing to it that others, especially the elected officials and others who are members of the commission, receive personal credit for the accomplishments.

Matching the commission's broad statement of goals is his own operating philosophy: "It is well and good to use CETA dollars for economic development. But you better have that other arm (development resources) in place. When an industry wants to move, it wants to move yesterday. You better be ready."

The Southern Alleghenies Commission was ready when Bleyer sent its location researchers to the area. And finding an occupant for that empty plant in Mt. Union was high on the commission's list of things to do at the earliest possible moment. The first general location study for Bleyer indicated south-central Pennsylvania, and when the Bleyer officials looked into details, Mt. Union became the logical place.

V. PROGRAM DESCRIPTION

Bleyer Industries had a straight forward on-the-job training contract for 56 persons. Recruiting and certification for CETA eligibility was done by the local office of the employment service. Of the 56: 51 would receive 160 hours of training as package hands at $3 an hour; 1 would receive 160 hours training at $3 an hour as a porter; 2 would receive 800 hours training at $3.50 an hour as extruder operators, and 2 would receive 1,040 hours training at $4 an hour as maintenance mechanics. CETA, paying half the hourly wages, would pay $19,440. The contract was scheduled from September, 1979, through February, 1980. Minor machinery start-up problems changed the schedule by a few weeks. Training was provided by a plant manager and a supervisor with previous Bleyer experience.

VI. IMPLEMENTATION PHASE

The implementation of the CETA OJT phase is adequately described in the preceeding section.

But the broader implementation phase of CETA-linked industrial development needs to be emphasized.

The Southern Alleghenies Commission is the only CETA prime sponsor that is also an economic development agency, officially designated by the Department of Commerce's Economic Development Administration, an A-95 regional clearinghouse, and a development district under the Appalachian Regional Commission. This is a unique combination of functions within one multi-county regional organization. The commission's ability to win approval for the use of $25,000 a year in CETA administrative funds to hire a "regional broker" -- the person in charge of the industry recruiting effort -- adds to the distinctiveness of the organization and the potential for linkages.

The commission described the need for the "regional broker" this way:

> "The Southern Allegheny Consortium consists of six rural and semi-rural counties in south central Pennsylvania. Major industries in the region are heavy manufacturing, including the major eastern Conrail repair facility and several steel firms, and coal mining. Currently, unemployment in the region is estimated at 10 per cent of the labor force. The area was slowly recovering from the 1975 recession when it was struck by the Johnstown floods, forcing many large and small firms out of business, which resulted in a loss of over 3,000 jobs. The floods and recent coal strikes have left unemployment for skilled workers at an all-time high."

The planning was described as involving these steps and ideas:

> "Each county within the Consortium has a competent and well-established economic development agency that has a history of successful relationships with private industry in the region. Representatives from each agency, local public officials, and prime sponsor staff meet at least monthly, comprising the membership of the Southern Alleghenies Planning and Development Commission (SAPDC). In December, 1977, the SAPDC, confronted with the continuing problem of job and business losses, began considering ways to bring new industry into the region. The prime sponsor recommended using CETA administrative funds to hire an experienced individual to market the area to national and international firms. During the next four months the SAPDC worked on a proposal that defined, specifically, what this industrial marketing program would consist of, and the responsibilities of the agencies involved, for submission to the Region III, Department of Labor.
>
> "The final proposal, completed in March, 1978, contained three phases and a set of implementation guidelines for the industrial marketing program. Phase I, promotion, consists of the development of brochures by each of the six development agencies, eventually to be included in a regional brochure. Information contained in these community inventories would stress the region's selling points -- e.g., quality of life in the area, state and local financing, land availability, transportation, labor market information, and employment and training programs available through CETA.
>
> "Phase II of the proposal involved the selection of the individual to conduct the regional marketing effort -- the regional broker. Selection was to be made jointly by all the agencies involved by June, 1978.
>
> "Phase III of the plan described the implementation period. The individual hired would work closely with SAPDC in develop-

> ing a work program, including discussions on the region's assets and gaining familiarity with available financing mechanisms -- e.g., EDA and FmHA programs, programs through the Pennsylvania Industrial Development Association (PIDA), and OJT and STIP programs -- for potential new employers. After this period of orientation, the regional broker would begin contracting industry via advertisements through business journals and periodicals and mailings to firms expressing interest. The person would arrange meetings between firms and each of the development agencies, thereby giving each county an opportunity to negotiate with interested parties."

The application, as a modification to the existing CETA grant, was submitted in April of 1978:

> "Shortly thereafter, the Prime Sponsor received the go-ahead from the Department of Labor. Candidates were screened and interviewed for the CETA administrative position, and a selection was made in the middle of June. The new employee had 18 years of experience in industrial location and development prior to accepting the job with SAPDC. He has been hired for a one-year period with a one-year renewal option written into his job contract.
>
> "At the present time the members of SAPDC are developing their 'inventory of assets' for the regional brochure. The regional broker, equipped with his own industry mailing list and mailing lists compiled by the economic development agencies, has conducted an informational mailing, contacting a number of industrial real estate firms in Pennsylvania and other neighboring states. Six firms have come to the region as a result of this mailing to begin discussion on industrial location.
>
> "The SAPDC program will continue to work with these and other firms interested in locating new plants and facilities in the region. The regional broker meets regularly with each member of SAPDC individually and as a group to discuss current prospects and program progress. Finally, SAPDC is considering advertisements in national business journals and periodicals to broaden the geographical base of current efforts."

The commission offered this observation about its own experience in one of its summaries:

> "The SAPDC experience underlines the need for cooperation between CETA prime sponsors and competent development agencies to carry out an industrial attraction program."

And this piece of advice about keeping every involved jurisdiction in mind all the time was offered:

> "An important feature of the SAPDC program is its multi-jurisdictional approach to industrial attraction. The representatives of the six counties recognized at the beginning of this program that the entire region stood to gain from new economic activity anywhere in the region. The regional broker is responsible for arranging meetings with each of the local development agencies and industrial prospects. This cooperation will enhance the possibility of attracting new economic activity anywhere in the region and should be used as an example by other prime sponsors where more than one jurisdiction or county may be affected by this type of development program."

VII. PROGRAM OUTCOMES

The Bleyer Industries development -- 56 new jobs approaching $4 an hour after training -- is one outcome. Putting to use a previously empty building is another.

But the value of the cooperation and mutual concern can also be cited.

And, in 1980, the largest industry yet to come exclusively as a result of the Southern Alleghenies Commission's approach is scheduled for Somerset County. More than $60 million will go to develop a cast wheel plant that will provide up to 350 jobs at $6 and $7 an hour.

VIII. SUMMARY

One person who went to high school in Altoona remembers that the only time the people of Johnstown and Altoona got together was to throw rocks at each other after a football game. That same person had a father who worked 49 years for the railroad, so his view is not without personal experience when he speaks of the railroad's "arrogance" in abandoning Altoona. When those lay-offs were followed by flood-caused job losses and by steel cutbacks in Johnstown, something happened. Each county had a development agency. The Southern Alleghenies Commission had become the catalyst. "It takes a jolt to get your attention," said one area resident. "Something in there hit that button. They were determined to rebound,' -- despite steel, despite the railroad. "People banded together. They wanted to attack the whole world."

In the Southern Allegheny Mountains from Altoona to Bedford and Mt. Union to Johnstown, they are attacking the lack of jobs, and they are using CETA money as a major weapon.

Case Study:
HARVARD DESIGN, INC.
MASSACHUSETTS COMMUNITY
DEVELOPMENT FINANCE
CORPORATION
CAMBRIDGE OFFICE OF
MANPOWER AFFAIRS
Cambridge, Massachusetts

THE MASSACHUSETTS COMMUNITY DEVELOPMENT FINANCE CORPORATION INVESTS STATE FUNDS TO GENERATE JOBS FOR RESIDENTS OF ECONOMICALLY DEPRESSED AREAS -- RURAL AND URBAN. THIS RARE APPROACH BY THE STATE, WHICH ALSO REQUIRES LOCAL CITIZEN INVOLVEMENT IN A COMMUNITY DEVELOPMENT AGENCY, BECOMES A NATURAL PARTNER FOR CETA AS A FAILING FURNITURE PLANT IS SAVED -- AND SO ARE ITS JOBS.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

In 1977, Colony House Furniture Company (now known as Harvard Design, Inc.) was experiencing financial difficulty. Without additional financial backing, the firm would have to close, and the 40 employees there would lose their jobs. The furniture company is in Cambridge, Massachusetts, a city which has been losing a substantial number of manufacturing firms in recent years.

Using a plan involving the multiple goals of investment, employment maintenance, job creation, training and economic development, Harvard Design, Inc., was formulated under the auspices of and in conjunction with the Cambridge Community Economic Development Corporation, the Massachusetts Community Development Finance Corporation, and Mr. John Dufort, a private businessman. In addition, the development of the firm was assisted by the resources of the Cambridge Office of Manpower Affairs, the CETA program, and other public agencies. The efforts of these groups enabled it to remain open, and it has more than 30 employees who are primarily Cambridge residents. Some are CETA OJT participants. The firm's payroll near the end of 1979 was approximately $10,000 a month. Mr. Dufort, the business man who invested in the firm, is president and is managing its operation.

B. Relevance to Other Area Economic Development

Harvard Design, which constructs and upholsters furniture, is one of the few manufacturing firms in Cambridge. The area is dominated by research and service industries. Further, more than 60 per cent of the area is owned by tax-free institutions, mainly Harvard University and Massachusetts Institute of Technology. The Cambridge Community Economic Development Corporation was established in 1978 in an effort to demonstrate the value of bringing together a diverse group of local interests to address economic development at neighborhood and city-wide levels. The Harvard Design firm was the first major economic endeavor of the Cambridge Community Economic Development Corporation (CCEDC), and the board of the corporation provided considerable advisory and visible support for the firm.

A major focus of the Economic Development Corporation is to employ economically disadvantaged residents in Cambridge businesses. Polaroid is a major employer in Cambridge, but employs only a small proportion of Cambridge residents. Efforts of the development corporation in conjunction with Harvard Design promote the employment of Cambridge residents, specifically those who are economically disadvantaged. Overall, the Harvard Design venture is an example of community, government and private business cooperation benefiting the community of Cambridge and its residents. The approach -- jobs in areas which are economically distressed -- is one that has state-wide or larger potential, a theory as useful in a rural area as in a city.

C. This Project and the Five M's

Money and management were the most crucial elements in getting the Harvard Design furniture firm into operation. Since the firm was never completely shut down, manpower was also available. CETA-provided OJT positions supplemented the staff and provided financial relief. The materials for production were also there, as was the market for the furniture. But before the banks and the state's Community Development Finance Corporation agreed to become involved, they needed assurance that the market was, indeed, there, since furniture manufacturing in Massachusetts has fallen victim to energy-related cost escalations throughout the state. Mr. Dufort obtained letters from various buyers who attested to the quality of the furniture and their interest in doing business with Harvard Design. Thus, management was the key to the success of the company. Mr. Dufort, the president, has more than 20 years experience in the furniture industry, has done manual labor and sales work, and has wide experience both in making furniture and in marketing. His experience was augmented by his commitment to the firm, as evidenced by his own financial investment; however the Harvard Design venture has been financially supported by other interests as well, such as the Cambridge Community Economic Development Corporation and the Massachusetts Community Development Finance Corporation. In addition, CETA training funds from the Cambridge Office of Manpower Affairs will contribute approximately $36,000 in OJT contracts over the next three years. The New England Merchants National Bank in Boston and the Charlesbank Trust Company of Cambridge also loaned money for the venture.

D. Preliminary Assessment of Success

The success of the furniture plant is evidenced by a slow but steady increase in business and by an increase in the number of employees. The success is due to the effective management techniques used by the owner and by his detailed statement of operating plans and business potential. The success is due also to the participation and perseverance of the Cambridge Community Economic Development Corporation, the availability of funds through the Community Development Finance Corporation in Massachusetts and the guarantee of CETA on-the-job training money. Two words essentially describe the reasons the company was able to get off the ground: commitment and cooperation. The various agencies and individuals worked together for more than two years to make it happen; their commitment and cooperation convinced the banks to take the risk and loan the money to the new company. Expansion potential is there if the firm continues on its course of slow and steady business increase.

E. Summary of Difficulties or Advantages in Project Development

The Harvard Design project has the advantage of involving several local private and public agencies which work together cooperatively toward the goals of creating new jobs and keeping already-existing jobs in the area.

A major advantage for the project was the existence of the Massachusetts Community Development Finance Corporation (CDFC). CDFC is a unique public corporation that invests money in business ventures which are undertaken in conjunction with local community development corporations located in economically depressed areas of Massachusetts. The availability of funds through this state-funded corporation was a key factor in enabling Harvard Design to continue operating. Thus, at the local level, the Cambridge Community Economic Development Corporation, working with Mr. Dufort of Harvard Design and the state CDFC, was able to put together a package which was acceptable to the local banks. In addition, CDFC requires that the jobs be targeted for economically disadvantaged individuals. In this way, CETA's involvement was a key factor financially, as well as its commitment to the firm's success. Although it took more than a year for all of these groups to come together and agree on an investment package, it was a rare example of how a state can invest in business and benefit individual local residents in need of jobs and a community that is losing manufacturing plants.

Another major advantage was the participation of influential community leaders on the CCEDC board of directors and the business and financial advisory committee. Their contacts with key public agency officials were often informal, yet important to the outcome. For example, the advisory committee chairman is Mr. Philip Eiseman, a respected senior member of the Boston banking and investment community.

F. Overview of the Case Study to Follow

The study that follows will describe the geographic area where Harvard Design is located, provide background on the people who live and work there and on the economic climate, describe planning and implementation activities of the agencies and individuals involved in the Harvard Design project, and describe the role of CETA in this economic development effort.

II. GENERAL BACKGROUND

The understanding of the context in which the Harvard Design, Inc., project took place is critical to appreciation of success. The State of Massachusetts is primarily urban, as is the City of Cambridge in which the project is located. Although this example is from an urban setting, the role of the Community Development Finance Corporation as well as other agencies is so different from that often encountered or expected that it warrants consideration in this study. Moreover, the model described here is applicable in rural areas as well, since the emphasis is on jobs in economically depressed areas. Overall, the atmosphere in the State of Massachusetts is conducive to economic development. State programs emphasize innovative ideas in job creation. In addition to the state emphasis on economic development, in 1978 the City of Cambridge created an economic development cabinet to push economic development at the local level.

The three agencies that played major roles in this project were the Cambridge Community Economic Development Corporation, the Massachusetts Community Development Finance Corporation, and the Cambridge Office of Manpower Affairs, CETA. If there was one individual responsible for facilitating the cooperation of these agencies and bringing them together with Mr. John Dufort, the current president of Harvard Design, it was Mr. Francis Hayes. His role as well as that of his agency's is discussed in detail later.

At the state level, Massachusetts has a Community Development Finance Corporation. This corporation apparently is unique, as no other state appears to have a corporation which operates in a similar manner. The CDFC is a public corporation that invests money in business ventures. The one feature that particularly distinguishes CDFC from more conventional state efforts to promote industrial development is that the corporation will provide financing only to ventures controlled by local community development corporations and only in economically depressed areas or neighborhoods. The CDFC was created as an independent state agency by action of the Massachusetts legislature and began operation in 1978. The state's initial $10 million capitalization of the CDFC is regarded as an investment, not an appropriation. CDFC is expected to make investments in job-generating ventures in depressed areas, to gain modest returns, to increase its ability to make new investments and to pay its own operating costs, using its funds much like private venture capital. The corporation makes investments in and seeks a profit from new ventures or reorganized ventures that other financiers typically consider too risky or insufficiently profitable, at least in part because of their location in economically depressed areas. The CDFC represents a new approach to the financing of community economic development, having much more in common with that of private venture capitalism than with grant giving programs, as it does not depend on direct government appropriations for continuing operations. The rationale for the original investment of public money is that it produces a number of advantages for the state, financially and otherwise. The state receives its return on the "dual balance sheet." By aiding new or expanding employers in depressed communities, the CDFC creates jobs for people who would be receiving public assistance without them. Thus, the new jobs save money for the state. Individual and business incomes also generate state tax revenues. One estimate is that for every $15,000 invested in a manufacturing venture, one job will be created which will in turn represent a $3,000 annual return to the state. In the case of an export service, the CDFC investment needed to produce the job and the same return to the state might be as low as $5,000.

To summarize, private investors will not take the kind of risks that CDFC will take because the "profits" come in a different form. The savings to the state in reduced welfare and unemployment compensation payments and the growth in tax revenues associated with CDFC's investment are not the determining factors for private investors' decisions. For the state, on the other hand, it appears to be a useful investment of resources.

Two other aspects of the CDFC are important:

First is the way its money can be invested. The money can be invested either as debt; that is, as loans with negotiable interest rates; or as equity, that is, through the purchase of common or preferred stock or some combination of the two, which is the case in the Harvard Design project.

Second is that an investment is made only in an area where there is an active community development corporation which is broadly representative of its community and whose members will maintain sufficient involvement to assure that CDFC's public purposes are met. Public purposes is a key phrase, and this is where the idea of targeting jobs for the economically disadvantaged and insuring that local residents get the jobs is stated.

The fact that the CDFC will invest money only in an active community development corporation is a critical factor in this particular project. The City of Cambridge did not have a certified community economic development corporation until 1978. Thus, although activity had begun in terms of helping Harvard Design, Inc., the state could not be involved through the Community Development Finance Corporation until the Cambridge CDC became a legal entity.

Efforts to form the Cambridge Community Economic Development Corporation (CCEDC) began in 1977, although there was at first no funding obtained even after numerous attempts. Funding did come from CETA, which provided public service employment positions and administrative money to allow the Cambridge CDC to begin its operations, to form a Community Economic Development Corporation Advisory Board and to promote community participation. It was primarily through the coordinative and administrative efforts of Mr. Hayes that CCEDC began to involve the community in local development efforts. After CCEDC was formally organized in 1978, the Harvard Design project became its first major investment. The Cambridge CEDC was able to obtain $15,000 in HUD Community Block Grant money to use as investment money for the project. CCEDC also received $27,000 from Community Block Grant monies to cover part of its operating expenses in 1979-1980.

Yet, CCEDC would not have gotten off the ground or be in business today without CETA PSE positions. Thus, the philosophy of the Cambridge CETA and the attitudes taken by the CETA staff were important in the overall project. Although the CETA project itself is only indirectly involved in the Harvard Design project, it played a key role in facilitating it by providing money for public service employment staff and administration for CCEDC which enabled it to be organized and to become eligible for CDFC funding. More important, however, was the overall philosophy of the Cambridge operation. The director of the CETA program, Mr. Joseph Fischer, is from the business community. Despite his orientation toward economic development, "CETA had to force its way into economic development," he says. Thus, when Mr. Hayes requested money for the CCEDC, Mr. Fischer saw this not only as a beneficial use of CETA money but also as a chance to form a link between CETA and economic development. Since he had a surplus of Title VI money, he was able to provide CCEDC with the positions necessary to begin its operations. In the Cambridge CETA office there is a pervasive feeling that CETA's role, in addition to implementing traditional CETA programs, is to promote job creation and economic development in Cambridge to benefit CETA clients. Thus, job developers, for example, are called "business assistance representatives," helping businesses in a number of ways besides going to them to obtain OJT contracts. For example, a guide to city services was prepared by CETA, and all business assistance representatives use it to answer questions employers have about facets of city government. This positive relationship with the business community was definitely an advantage to the entire operation.

Thus, the atmosphere in which this project was being developed and operated was positive and strongly supportive of economic development at the local level. Further, CETA's orientation, although not necessarily unique, was a definite asset in providing a conducive atmosphere. CETA, for example, has a representative on the City of Cambridge Economic Development cabinet. CETA's involvement with the Harvard Design project itself was just part of overall strategy for CETA as a public program to become involved in the promotion of private industry (and new jobs) in the area.

The person who was able to bring all these agencies together and capitalize on their resources was Mr. Francis Hayes. His commitment to community participation in local economic development efforts goes back to the time when he worked for the city as a planner in the community development section. His entrepreneurial abilities and his knack for orchestrating all of these agencies and interests were crucial for the success of the project. Further, he was responsible for getting influential individuals in the community to participate.

To summarize, Massachusetts is a state with an overall orientation toward promoting economic development. The Massachusetts Community Development Finance Corporation is rare if not unique in that it is a public corporation that invests in local community development ventures. The Cambridge Economic Development Corporation was formed in 1978 and wanted to do something innovative to develop the economic community in Cambridge. The CETA office in Cambridge provided vital resources because of its commitment to economic development and the development of good jobs for its clients. Mr. Hayes was able to capitalize on these strengths and minimize the differences these agencies had.

IV. PLANNING PHASE

The planning phase for the Harvard Design, Inc., venture began approximately three years ago. At that time, the owner approached the city manager of Cambridge to obtain assistance for Colony House Furniture which was in financial difficulty. Mr. Hayes, who at that time worked for the City of Cambridge as a planner, was assigned to seek ways the city might help the business. Initially, proposals were submitted to the state to obtain funding but these were turned down. During this same period, Mr. Hayes changed jobs and began working to form a community development corporation in Cambridge.

While establishing the local CDC, Mr. Hayes continued to look for ways to keep the furniture firm in business in Cambridge. CDFC passed the Colony Furniture request for aid to Cambridge. Mr. Hayes contacted CDFC officials to tell them of the imminent formation of the Cambridge Community Economic Development Corporation and of the potential for investing together in the furniture company. Since formation of CCEDC was a prerequisite for CDFC involvement, Mr. Hayes' major efforts were toward obtaining funds to begin operations. In July, 1978, the Cambridge CETA office provided two PSE positions and administrative funds to cover Mr. Hayes salary for a year.

Once CCEDC became a viable organization, planning activities for the Harvard Design project became a primary focus of its work. CCEDC's involvement in such an enterprise would promote economic development in the community while lending credibility to the new organization. Initially, CCEDC made written requests to other states to learn about their business development efforts and reasons for their successes. From this research, one major theme evolved -- that the most critical factor for the success of any business effort was a high level of cooperation between the public and private sector. The planning activities for this project reflect this theme. Because of the large number of agencies involved, one person was needed to take the lead in promoting coordination and cooperation. That person was Mr. Hayes, and his accomplishments in this area were recognized by all who provided information for this study.

There were major planning efforts leading to the final investment agreement for Harvard Design. Since the planning phase of the project lasted almost two years, the exact sequence of activities is difficult to establish, especially since many activities were taking place simultaneously. During the final stages of the planning phase, the scenario was, if agency "A" commits this, then we will agree; that is, each agency's involvement was contingent upon another agency's commitment. Some of these activities also were going on at the same time the CCEDC was establishing itself as a formal entity.

Major planning activities included:

- CCEDC board activity in promoting the project;
- Examination of the furniture company's financial and management assets and liabilities;
- Reorganization of the company with new management;
- CCEDC communication with CDFC to obtain financial support for the project;
- CCEDC investigation of sources of funding to invest in the furniture company;
- CCEDC provision of assistance to Mr. Dufort to enable him to obtain a loan from New England Merchants National Bank;
- Contact with CETA to obtain the commitment to provide OJT funding for the company; and,
- Bring all interested parties together to agree on an investment package formulated by CDFC.

Mr. Hayes at the new CCEDC was the one involved throughout the entire planning phase and the one who participated in and coordinated all planning activities. Each of the activities is discussed briefly below.

The CCEDC board and its advisory committees included influential members of the business community in Cambridge who lent verbal support and worked behind the scenes to promote the project. The board understandably was cautious about the venture, because this was the first economic development effort of CCEDC, and there was no reference point from which to evaluate the potential for success.

A major planning activity was assessing the furniture firm's potential. This assessment was crucial to persuading CCEDC board members, the CDFC staff and bank officers that this was a sound economic venture. Mr. Hayes worked initially with the previous owner of the firm in evaluating its assets and liabilities. A financial audit was conducted, and a consultant, Mr. John Dufort, was brought in. It became clear that management skills were crucial to persuading investors to participate. Mr. Dufort became more actively involved and eventually was invited to become president of the firm, his previous experience in the furniture business and his exceptional management skills being a definite asset in influencing others to invest. This changeover of management came in the summer of 1979. The furniture company, during this period, never closed down. Although production decreased, a viable market still existed, and half of the original 40 employees were retained.

Mr. Hayes also communicated with officials from CDFC to obtain their participation. CDFC officials informed Mr. Hayes of the conditions necessary before money would be invested. CCEDC had to be incorporated; CCEDC had to have some money to invest; financial statements attesting to the viability of the company had to be available, and assurance had to be given that the "public purpose" clause of CDFC's mandate would be fulfilled.

The first major step after CCEDC was incorporated was to obtain money to invest in the furniture company as a community economic development effort. This money came from a HUD Community Development Block grant in the sum of $15,000. CCEDC then purchased the assets of Colony House Furniture in March of 1979. The assets were bought from the Small Business Administration, the original lender, when the company went into receivership.

Mr. Dufort invested his own funds; CCEDC's was obtained through a loan from the Charlesbank Trust Company of Cambridge. The loan was guaranteed by the City of Cambridge.

On April 9, 1979, Mr. Hayes, as executive director of CCEDC, submitted his request to CDFC. At that time, CDFC made a tentative commitment to invest $150,000 in the company, $40,000 equity and $110,000 debt. However, financing from the private sector, in the form of an additional capital loan, was still needed. Mr. Hayes also provided valuable assistance to Mr. Dufort in obtaining this loan.

Officials at the New England Merchant National Bank were first approached by Mr. Dufort and Mr. Hayes in April of 1979. Their overall response to the request for a loan was positive for a number of reasons. First, the bank officials indicated that Mr. Hayes had done the essential groundwork and had a good "feel" for the public and private sector needs. Second, the request was well "packaged" before it was presented to the bank. Third, the necessary commitment for $150,000 from CDFC had been obtained, thus minimizing the bank's risk. Fourth, Mr. Dufort had already committed some of his own resources, and this commitment was viewed positively by the bank. Finally, and considered most important by the bank, were the management skills demonstrated by Mr. Dufort. The bank officials indicated that the risks of default were minimized most by having Mr. Dufort manage the firm, as they had investigated his background and qualifications and were impressed with their findings. The loan was approved on June 19, 1979.

At the same time that the planning activities related to investment monies were going on, the CCEDC was working with the Cambridge Office of Manpower Affairs (COMA) Director Fischer, to arrange for CETA OJT slots. This agreement would fulfill the "public purpose" clause of the CDFC's mandate. Thus, CCEDC arranged with COMA for OJT positions at Harvard Design. Initially the contract covered five trainees with future positions available as needed. The involvement of CETA represented CCEDC's commitment to employ individuals living in economically disadvantaged areas of Cambridge. Initial arrangements between COMA and CCEDC were outlined in a proposal dated May 30, 1979.

The final planning activity involved the packaging of the investment agreement with CDFC, and was completed on July 16, 1979. The financial aspects of the agreement reflected the following breakdown:

	EQUITY	DEBT	OTHER
Cambridge Community Economic Development Corporation			
City of Cambridge Economic Development Cabinet			
H.U.D. Community Development Block Grant	$ 15,000		
Massachusetts Community Development Finance Corporation	40,000	$110,000	
New England Merchants National Bank -- Boston		40,000	
Charlesbank Trust Co. of Cambridge		15,000	
Cambridge Office of Manpower Affairs Training Funds -- CETA			$36,000 est.
Private Investment Capital -- Mr. John John Dufort, Harvard Design President	60,000		
Surplus economic value of company assets	50,000		
	$165,000	$165,000	$36,000

TOTAL INVESTMENT: $366,000

STOCK OWNERSHIP

	PERCENTAGE	NO. OF SHARES
CCEDC	33.5%	201
CDFC	33.5%	201
Dufort	33.0%	198

CETA's involvement was delineated in the Investment Agreement to fulfill the following conditions:

Employment of Target Area Residents and Minorities

> The company shall at all times assure that at least 70% of all employees who have not been continously employed by the Company since July 1, 1979, will be residents of the Target Area, and at least 90% of all employees who have not been continuously employed by the Company since July 1, 1979, will be residents of Cambridge. The Company shall take affirmative action to assure full equality of opportunity in the hiring and promotion of minority resi-

> dents of the Target Area, and commits itself to the goal of employing workers in a way that approximates the racial composition of the Target Area. The Company shall give the CDC prompt notice of all job openings, shall give full and fair consideration to all job candidates referred by the CDC, and shall maintain records of all rejections and the reasons therefore.
>
> ### On-the-Job Training
>
> The Company will participate in on-the-job training programs sponsored by the City of Cambridge as long as reasonable financial assistance is provided to the Company in connection therewith. Initial arrangements are outlined in the On-The-Job program proposal dated May 30, 1979, prepared by CCEDC.

It is evident that the planning of the economic venture was complex and time-consuming. However, the commitment to succeed and the potential availability of public and private sector resources enabled the project to obtain the necessary financial backing.

V. PROGRAM DESCRIPTION

Harvard Design and the Cambridge Office of Manpower Affairs developed an OJT contract effective June 1, 1979-June 1, 1980, for $12,827.06, for one cutter, one fabricator, and three upholsterers. It provided for 1,030 hours of training for each participant. All training is on company premises by supervisory employees in each of the skill areas. Mr. Dufort will use his skills in all areas of furniture production to assist in the training. The overall atmosphere of the firm is one of employee cooperation in an informal, structured setting. Mr. Dufort indicated that eventually he would like for employees to own part of the firm; he believes ees feel they have a stake in the company's future. The rate per hour for each position is:

Cutter: $3.50 starting, $4.50 in 9 months;

Upholsterer: $3.75 starting, $4.75 in 9 months;

Fabricator: $3.50 starting, $4.50 in 9 months.

In addition, an average of $100 per participant was provided by the contract for support services.

VI. IMPLEMENTATION PHASE

By the end of October, the five CETA participants would be in training. The company had some start-up problems in terms of re-contacting previous buyers and obtaining materials. In addition, organizing sales representatives in their respective regions was a high priority for Mr. Dufort.

A reception in September celebrating the start of production by Harvard Design was expected to increase sales. Samples of Harvard Design furniture were displayed, and prospective buyers and investors were present. Representatives present were from the Governor's office, offices of both senators, and several banks unable to participate in CCEDC's first venture but interested in being involved in future economic development efforts.

VII. PROGRAM OUTCOMES

Although the program had just begun its implementation phase at the time of this study, the individuals involved expressed positive feelings about what had been accomplished. It is the belief of all associated with the project that, based on the current status of the firm, it is realistic to assume increased employment of economically disadvantaged Cambridge residents. The original goals of the economic development effort, as expressed by Mr. Hayes, were:

- To demonstrate the viability of the furniture industry in New England;
- To provide employment in skilled jobs for economically disadvantaged Cambridge residents; and,
- To get the state and community to work together and become actively involved in economic development.

Mr. Hayes feels that the last goal has been achieved, and the first two goals will be achieved in the next year as the project progresses. Mr. Hayes identified the following long-term benefits of this economic development program:

Agency/Individual Benefiting	Benefits
CCEDC	o credibility of organization
	o $3,000 a year in dividends
	o 10% commission on any sales initiated by the CDC
	o payment for service assistance to the company
Bank	o loans paid off with interest
	o involvement in local economic development

Agency/Individual Benefiting	Benefits
CDFC	o dividend payments o repayment of loan o fulfillment of legislative mandate
CETA	o quality placements for clients
Community	o tax base increase o jobs for residents
Mr. Dufort	o profit o eventual ownership of firm

Further, a major outcome of the program is that the 19 individuals employed at the firm in unsubsidized positions would have lost their jobs had the investment agreement not been completed. Since there are few positions in the Boston area in furniture manufacturing, these individuals might have had to seek public assistance or leave the area. Thus, welfare savings can be considered an outcome of this project.

Both the CETA staff and CCEDC indicated that much was learned during the process of securing the venture capital. This knowledge will be valuable in future efforts to promote economic development with CETA involvement. Mr. Hayes cited these "rules" which he recommends:

- Develop linkage early with the CETA office;
- Approach the effort from the perspective of how "government can help business";
- Find out what has already been done in the area; and,
- Do not try to change things but build on other relationships and resources which already exist.

The CETA staff indicated these factors were crucial to success:

- Assess the market;
- Involve an influential elected official;
- Promote positive public awareness of CETA, and,
- Provide training to the CETA staff to enable them to understand the private sector.

It is clear that much was learned during the planning process. Also, the company has demonstrated a slow but steady growth. Within a year the firm expects to employ 30 individuals, and within two years, 55. By the end of the second year, the majority of employees will be Cambridge residents.

VIII. SUMMARY

This project involved the successful mix of the public and private sectors in turning a failing furniture-manufacturing plant into a going concern. With local community support from economic development agencies, banks and the interest and commitment of a community resident who utilized his entrepreneurial and management skills for the benefit of the area residents, this firm has become viable and growing and is expected to provide good long-term jobs to a number of Cambridge people who would otherwise not be employed. The Massachusetts Community Development Finance Corporation with its requirement that its funds help create jobs in economically depressed areas is a rare state agency which is a natural CETA ally.

Case Study:
TEXAS LOAN EVALUATION PROGRAM
TEXAS GOVERNOR'S SPECIAL CETA GRANT
Texas Department of Community Affairs
Schulenburg, Fayette County, Texas

CETA SPECIAL GRANT FUNDS HELPED PAY FOR A LOAN EVALUATION PROGRAM DESIGNED TO ASSIST NEW AND EXPANDING BUSINESSES SEEKING FINANCING. A CLOSE COUNT OF CETA PLACEMENTS WAS NOT KEPT BUT THERE ARE FAMILIES AND COMMUNITIES IN RURAL TEXAS THAT ARE BETTER OFF.

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

The Texas Loan Evaluation Program of the Texas Department of Community Affairs, County and Rural Services Division, was created in response to the very real problems of outmigration of population, businesses and funds from rural areas. Studies conducted for the Governor of Texas concluded the major cause of outmigration was the lack of viable employment and one of the major reasons for the lack of jobs was the unavailability of financing for rural business.

The Loan Evaluation Program was designed to keep rural money in rural areas; to increase the amount of loans being written by rural banks; to work around a rural bank's low lending limit by working with federal agencies which guarantee loans; and to create a means for rural bankers to understand industry's financial needs where rural bankers had experience only with farm and livestock financing.

The Loan Evaluation Program was to contribute to making it possible for any Texan to live in any part of Texas and to help alleviate the pressure of uncontrolled growth in urban areas, the fastest growing in the country, while not slowing overall growth. Funds for some salaries for loan evaluators came from the Governor's Special Grant under CETA.

B. Relevance to Other Area Economic Development

In the program area, Fayette County, Texas, there was no organized economic development effort except some signs of active city cooperation with businesses expressing an interest in the Fayette County area.

When the program was conceived, there was a plan to coordinate the Loan Evaluation Program with the Texas First program, a nation-wide public relations campaign to recruit industry to Texas, and with a state funded vocational education program called "Start-up." Efforts to coordinate ceased because of the widely differing objectives.

C. This Project and The Five M's

This program addressed only one "M" -- money. In fact, it addressed no other activity and had no objective other than helping businesses secure the first "M." A by-product, of course, was jobs for available manpower.

D. Preliminary Assessment of Success

It is difficult to assess the success of the total Loan Evaluation Program, though individual instances exist. Measuring the contribution of the program's feasibility studies to an individual success in securing financing is difficult. The extent to which the program created jobs that were filled by unemployed disadvantaged persons is not clear because reliable numbers and meaningful definitions were not available. However, there is no question that many CETA-eligible persons got jobs.

On the other hand, one notable success of the Loan Evaluation Program and one which suggests the validity of the concept of feasibility studies for loan applications is the Farmers Home Administration (FmHA) decision to adopt the whole program for evaluating applications for direct loans and loan guarantees.

FmHA is in a position to overcome all difficulties the Texas Loan Evaluation Program experienced. Business will be required to submit to the evaluation and will have given a token in the form of a formal application. Since the lender sets the criteria used to evaluate the loan application and dictates its use, the efficacy of the feasibility studies cannot be questioned. Since FmHA is a federal lending source, the problems of conflicting objectives, service levels and public funds for private business do not arise. The program will be self-contained and responsible for its own objectives.

While no guarantees can be made to CETA prime sponsors, it could be profitable to develop a contact with the local FmHA office to gain an introduction to businesses which are expanding and will be hiring in the future. A few businesses report that their feasibility study played an important part in helping with financing. Two banks contacted and some businesses felt the studies were too complex and useful information inaccessible. Some businesses used studies as management tools and benchmarks for progress.

Coordination with CETA was not prescribed or documented. The CETA program wanted to piggy-back on the jobs created through successful loan applications; however, goals were measured in terms of referrals not neccessarily verified as CETA-eligible. No doubt many people who needed jobs were hired by the expanding rural businesses. However, some CETA prime sponsors found the hiring being done over long periods of time.

E. Summary of Difficulties and Advantages In Project Development

Given the preliminary assessment, a summary of the program's problems and a description of a major success may be useful.

Problems: The program was not refunded by any source. There were reasons: The Legislature felt public funds should not be used for private advantage. The Legislature recognized that the program's service levels were low. Serving the whole state was almost impossible. The CETA program recognized that the Loan Evaluation program objectives and CETA objectives and outcomes differed. CETA recognized that businesses using LEF could not be held to hiring CETA clients. The Loan Evaluation Program could not be targeted to any area or significant segment. CETA could not take advantage of periodic hiring over long periods of time. The Employment Service could perform the referral service better.

The Loan Evaluation Program also had some internal problems: Good clients (viable rural business that wanted to secure local funding) were hard to find. Demand was too low to permit selectivity, and the program could not charge a fee or ask for a token of sincerity. Staff for the program was hard to recruit and train. Staff most suitable for the program was usually very private sector oriented and hostile to social programs such as CETA.

F. Overview of Case Study to Follow

The study that follows describes the general purpose of the Texas Loan Evaluation Program and some of its difficulties. A description of how the program functioned for two expanding businesses in rural Fayette County, Texas, is provided and so are some suggestions for possible applications elsewhere of useful elements of this approach.

II. GENERAL BACKGROUND

The Loan Evaluation Program provided a service to any business seeking it in Texas. The program depended on informal means of locating businesses to help. More than half the businesses served were within 150 miles of Austin; three-fourths were within 300 miles. In all, six of 40 evaluations were in the western half of the state and eight in cities with more than 25,000 residents.

Fayette County, the area chosen as representative of the whole program, is in east-central Texas, 85 miles east-southeast of Austin/San Antonio and 85 miles west of Houston. Fayette County is classified as a rural county with only 18.3 per cent of its 17,600 citizens living in cities or towns. The county has three cities with more than 1,000 in population.

The Loan Evaluation Program was conducted by the County and Rural Services Division under contract to the State Manpower Services Division. Both of these divisions are within the Texas Department of Community Affairs (TDCA) with Mr. Ben F. McDonald as executive director. Mr. L.C. Harris, III, directed the Manpower Services Division, and Mr. Raymond Prewett directed the County and Rural Services Division.

The County and Rural Services Division (C/RS) was solely responsible for the development and implementation of the Loan Evaluation Program. The computer program used for the evaluations, the Interactive Financial Modeling System, was modified for the Loan Evaluation Program under an agreement with Execucom, Inc., which had originally developed the modeling system.

Other agencies had peripheral roles in community and business coordination. Various CETA prime sponsors were informed that a business received a loan and should be contacted about manpower needs and timetables. The Texas Industrial Commission referred a few businesses. Local Conferences of Government provided referrals. Several local lending institutions, the Farmers Home Administration, and Small Business Administration participated by referring potential business clients.

There was only one agency, C/RS, that spent funds on the Loan Evaluation Program. In the course of four years, 1974 to 1978, the Loan Evaluation Program spent $426,502, and $179,295 or 42 per cent came from CETA Section 106 funds. The Economic Development and Public Works Act provided $43,156, and $204,051 came from Texas general revenue.

The state general revenue funds came from an appropriation for a program called Texas First, a coordinated economic development effort to bring new industry and jobs to the state. The CETA funds were from the Governor's Special Grant for statewide manpower coordination and related activities. The EDPWA funds were for planning economic development activities.

III. SOCIAL/CULTURAL ENVIRONMENT OF PROGRAM AREA

Fayette County, the program area representative of a rural community successfully using the Loan Evaluation Program, is in eastern central Texas. It is 934 square miles in size, about average for the 254 Texas counties, and supports a population of 17,600, distributed at about 19 persons per square mile. The three population centers with more than 1,000 people are: La Grange, the county seat (3,300), Schulenberg (2,350), and Flatonia (1,090). Urban dwellers make up 18.3 per cent of the population, while 50.8 per cent are rural non-farm residents, and the remaining 30.9 per cent reside on and work their farms.

The 17,600 population is 48 per cent male and 52 per cent female with a median age of 46.5 years, one of the highest in Texas. The residents are 85 per cent white, about 12 per cent black, 3 per cent Hispanic. The population has dropped from 29,965 in 1920, and agriculture has changed from cotton and grain on small family farms to cattle on larger tracts.

There are 5,080 households in Fayette County, and 1,700 unrelated individuals. Family size averages 2.7 persons; 86.5 per cent of the families are husband/wife families, while 4.4 per cent have a male head with no spouse, and 9.1 per cent have a female head and no spouse.

The median level of years of school completed is 8.09, and 63 per cent of the residents completed eight years or fewer of school. Nearly 9 per cent have some post-secondary education, and 1,400 individuals have completed some form of vocational education course work.

Mean family income in 1970 was $6,691, while median family income was $4,638 and median individual income was $1,172 compared to $2,792 for the state. Per capita income rose to $3,606 in 1975. Currently, 67 families with 165 children are receiving an average of $6,165 a year under AFDC. In addition, 305 families which include 656 individuals are receiving food stamps. Approximately 1,800 people receive Social Security income.

There are 8,077 persons in the civilian labor force of whom 181 or 2.2 per cent are unemployed. Over the last several years, the labor force has oscillated between 7,500 and 8,200, and the unemployment rate between 1.4 and 3 per cent as it rises and drops with the labor force numbers.

All of the major occupational categories are represented in Fayette County with 24.8 per cent employed in farming, the largest category. The labor force has 11.8 per cent employed in craft jobs and 10.7 per cent in services. Many farmers and farm workers have other jobs which may or may not be considered the primary job.

The major employers are Armco Steel, a wire basket manufacturer, a toy airplane maker, an oil rig pump assembly plant, several food processors and smokers, and a muffler plant.

There is virtually no unemployment in Fayette County. There are some skill shortages, but because of the labor intensive, low-skill jobs coming into the area, demand is high and low-skilled workers (women and youth for the most part) have no trouble finding employment.

If there were some market contraction that caused a reduction in the number of jobs in the county, secondary wage earners would return home, some older males would return to the farm, and younger workers would go to Houston. Thus, the labor force would contract, and the unemployment rate would remain approximately the same as it has for many years.

Fayette County is governed by a Commissioner's Court, composed of the county judge, elected at large, and four precinct commissioners. The court is responsible for all county business not delegated to other county elected officials by the Constitution or state laws. As the budget-making body, it determines the allocation of funds to all units of the county.

County revenues come from four major sources: property taxes (which account for approximately two-thirds of all revenues), fees and fines, motor vehicle registration fees and intergovernmental revenues from state and federal sources.

The Fayette County government, like other rural Texas county governments, must play a passive role in economic development. Counties are limited in scope and organization by state law.

However, the cities of Fayette County seem anxious to bring in new industry and business. There was no concern over the environment or traffic, and problems were optimistically dealt with when they had to be, not before. The very real and related problems in Fayette County of an insufficiently skilled work force and housing were addressed as problems that would solve themselves. Two rather novel approaches being used now are recruiting members of local families living in Houston or San Antonio and using buses to bring in needed workers from as far away as 50 miles.

A very large part of the Fayette County population is of Czech and German descent. Historically, there has been very little in-migration or social and cultural change. The work ethic and the strong family orientation derived from Catholic and Lutheran backgrounds carry much importance in the communities. This, coupled with the indigenous Texan libertarianism, makes a conservative community that has little sympathy for social programs, environmentalists or outsiders. Except for special education for the handicapped, social programs serve largely minority populations.

Many residents supported economic development because it would provide jobs to family members who had to leave the county because of a lack of adequate job opportunities. By recruiting members of county families living in the cities, they discourage outsiders and minimize the housing shortage while growing economically.

CETA services are delivered to Fayette County in a roundabout way. The Capitol Area Manpower Consortium is the prime sponsor for the six county area around Austin. The Consortium directly operates programs only in the City of Austin and contracts with the Burnet-Williamson Community Action Agency (CAA) for service delivery to other areas which are mostly rural. Burnet-Williamson CAA in turn subcontracts to other local delivery agents including the Bastrop-Lee-Fayette Combined CAA which serves Fayette County.

There has been no accounting for CETA activity by county for the four programs that have been available. Estimates of Fayette County residents served in a year: PSE, 40 to 50 persons; licensed nurse, 10 to 15 trainees; heavy construction, 10 to 15 trainees, and in-school youth, 25 participants in work experience.

The nurse training is given at Blinn Community College in Bastrop County, some 50 miles from La Grange. The heavy construction training is offered through Texas A & M University, some 70 miles from La Grange. There are no other post-secondary or vocational training institutions in Fayette County.

In Texas, generally, unemployment has averaged about 1 per cent below the national level: in May, 1979, Texas unemployment was 4.2 per cent and the U.S. rate was 5.2 per cent; in September, 1978, Texas was at 4.8 per cent and the U.S. at 5.7 per cent. There is a very strong regional bias within the state, with the southern and southwestern areas consistently having unemployment rates twice that of the state average.

One of the primary reasons for the positive economic picture is the ever-increasing Texas population. During the 1970s, the population of Texas has continued to grow at a faster rate than ever before. In recent years, the rate of population growth in Texas has been almost double that of the U.S. The growth in population and industrialization brings about a form of perpetual motion in which each segment is nurtured by the other.

In recent years, two major population shifts have occurred in both Texas and the U.S. The first of these is the accelerated growth of the Sun Belt in general and Texas in particular. The second shift, the so-called rural renaissance, involves the increasing growth of small urban areas and non-metropolitan areas and the consequential decreased growth of the large metropolitan areas.

Even when the employment effect of a very large dam construction project is deducted from Fayette County's growth, the county has shown the "rural renaissance" effect. Between 1974 and 1979, the civilian labor force has increased by 17.1 per cent while the population has increased by only 3 per cent, and unemployment has averaged about 2 per cent.

Fayette County has shown some growth in all sectors of employment, especially in light manufacturing, finance, trade and transportation. Manufacturing areas that have increased are transportation equipment, apparel, food, furniture and light metal. However, most of these increases tend to be in labor intensive lower-wage areas that do not create differing skill level jobs. Many Fayette County residents can qualify for only low-skill jobs..

These new jobs have been largely filled by women; hence labor force growth with constant population. It is common for the male to take a low-skill, low-wage job in town, but still work the farm or ranch. Employers feel that the jobs they offer are secondary jobs to their employees and treat the employees accordingly.

IV. PLANNING PHASE

There were four agencies involved in planning the Loan Evaluation Program (LEP). The County and Rural Services Division (C/RS) of the Texas Department of Community Affairs (TDCA), directed by Mr. Raymond Prewett, had the responsibility for meeting certain economic development objectives established by the Texas Rural Commission in 1973. These objectives:

- Further develop agricultural processing industries,
- Increase flow of capital from urban to rural areas,
- Utilize full lending capability of rural banks, and
- Develop strategy for rural business development.

Early in 1974, Mr. Collier Watson joined C/RS to assist in implementing programs to meet the Texas Rural Commission's objectives. Later, Mr. Jim Johnson and Mr. Tommy Spencer joined the staff to assist in running the LEP.

A second and key agency was Execucom Systems Corporation whose president, Dr. G.K. Wagner, by chance met Mr. Prewett of C/RS and offered the Interactive Financial Planning System (IFPS), a computer modeling program, to serve as a mechanism for preparing financial feasibility studies for rural businesses to present to lending sources. The IFPS needed some modification to be adapted to C/RS's needs, so Mr. William Reister of Execucom joined the C/RS staff for two years to modify the program and train C/RS staff in its use.

The third agency was the executive director's office in TDCA which recognized the job creation and manpower development potential of LEP. The executive director, Mr. Ben McDonald, brought about the marriage between the LEP of the C/RS and the fourth agency, the Manpower Services Division (MSD) of TDCA. Thus, LEP became a CETA activity funded by Section 106 funds. Mr. L.C. Harris, III, as director of MSD, began funding LEP through an interdepartmental agreement in June, 1975.

It took approximately one and a half years to get the Loan Evaluation Program fully operational. One year, from June, 1974, to June, 1975, was spent in adapting the Interactive Financial Planning System (IFPS) to the needs of the LEP. The process of adaptation included restructuring the model produced by the IFPS to show a range of future output values based on the best estimate by a business of its own current status and input factors. Another adaptation turned the IFPS into IGPS, Interactive Governmental Planning System, with applications to local government decision-making on the payback of extending city and county services to prospective businesses. The system was field-tested, and the first feasibility study for business was produced in April, 1975.

The planning of the program during the next half year focused on the identification of potential clients and the securing of a funding source in addition to the state general revenue funds.

The LEP needed approximately $100,000 to $120,000 to support a staff of three professionals, travel and computer facilities. Two sources were used during the planning and initial implementation phases: CETA, Section 106 funding, which later picked up some components of the Texas First program, and state general revenues appropriated for the Texas First program, a national public relations effort to attract business to Texas and to expand Texas businesses. Funds from these two sources were used interchangeably and not used to fund specific work elements.

Later, Economic Development and Public Works Act monies underwrote staff time to produce reports on rural banking problems, a spin-off of loan evaluation.

Three problems for the Loan Evaluation Program emerged during the planning and early implementation phases. The first problem was identifying businesses in need of the LEP's services. The program could handle about 12 evaluations a year and, ideally, wanted to be called in by a loan guaranteeing agency (e.g., SBA, FmHA) or by rural banks which were unsure of the soundness of a proposal being presented to them, or by small but successful rural businesses which wished to expand but were having difficulties in securing financing. The first plan to identify clients was to participate in workshops by the Texas Industrial Commission. This plan generated several requests by businesses for services, through self-referrals, bank and SBA and FmHA referrals. In some instances, businesses were only exploring expansion plans and did not intend to use the study for securing financing, or the businesses were marginal and had trouble getting financing not because they lacked an adequate feasibility presentation but because they were in a poor market situation.

Two solutions to the problem of poor quality of businesses seeking LEP's services were proposed: the first was to apply selection criteria as a pre-screening process, but demand was too low for this to be implemented. The second was to require some good faith token such as a pre-evaluation charge, but the program was prohibited by state officials from charging for services. Throughout the life of the program, this problem was never satisfactorily resolved.

The second problem was recruiting staff that could be trained in this very technical program. The program had to compete with established private enterprise for MBA graduates who also had some expertise in computers. The job qualifications called for a thorough knowledge of business practices, economic and market projections, systems modeling and computer capabilities.

The third problem in making the program operational was meeting the activity requirements of CETA. The Manpower Services Division (MSD) of TDCA required the LEP to complete a number of evaluations, to concentrate its services in rural areas, to create a specific number of jobs, a specific portion of which were to be referred to CETA prime sponsors to be filled by CETA participants and to follow up on referrals to document placements. All of this activity was to be reported in a monthly report. The difficult components were determining the number of jobs created and the number of CETA eligible placements.

Originally, a complex system of notification and follow-up was implemented which preserved the "turf" of the participating agencies; the LEP, the employer, State Manpower Services and the prime sponsor. This proved to be cumbersome, especially as the time span from the initiation of loan evaluation to the time when hires were made could be as long as three years and each agency was responsible for different steps over varying lengths of time.

To address the reporting problems of too many agencies involved, ill-defined responsibilities and time lags between reportable activities, three solutions were provided:

First, the goals and the reported activity of the LEP were combined with another CETA-funded program operated by the County and Rural Services Division -- the Concerted Services in Training and Education Program (CSTE). The CSTE program funded county-based liaison positions to coordinate a widely defined array of economic and community development activities. In terms of the CSTE's commitment to CETA, it was responsible for identifying jobs, including those jobs created through a successful loan evaluation if a CSTE liaison was working in the same county. The net effect of combining the two programs was that the Loan Evaluation Program was not held responsible for creating a specific number of jobs at a specific time, something the program felt was impossible to subscribe to because of the limited scope of its services and time lags.

Second, the solution was to simplify the follow-up procedure with employers and prime sponsors. LEP staff notified the employer that a CETA prime sponsor representative would contact him about personnel and training needs. The prime sponsor would report to LEP any placement success. LEP staff reported to TDCA (combined with CSTE activity) the number of jobs created or located and the number of CETA referrals. None of the LEP staff could recall a response, either positive or negative, by a prime sponsor. Prime sponsors contacted had a vague memory of a notification about job opportunities, but generally did not follow up. Two prime sponsors who did follow up found that employers were offering either high-skilled jobs (e.g., machinist, tool and die) that CETA could not fill, or low-wage, low-skill jobs for which no training was necessary and for which the employer was hiring at the gate. Prime sponsors were trying to write OJT contracts or start skills training classes. Employers wanted neither. The employer and the prime sponsor agreed that the Employment Service would best serve the employer should he have trouble recruiting, which, it seems, he rarely had.

The third solution has already been mentioned. The goals were redefined from jobs created and placements to the more realistic jobs created and CETA referrals. This change left the Loan Evaluation Program free to concentrate on its objectives without worry about who filled a job one or two years after an evaluation was completed.

V. PROGRAM DESCRIPTION

In response to a growing need to improve the quality of life in the rural areas and to slow the increasing migration from rural to urban areas in the state, former Governor Preston Smith convened the Texas Rural Development Commission on April, 1972, to propose policies and objectives. One of five objectives to be met through the establishment of a national and state rural development policy was to attract new industries and develop existing industries in rural areas.

The Commission, when it reported to Governor Dolph Briscoe in October, 1973, made five recommendations in support of the economic development objectives: (1) employ rural development coordinators to enhance local development efforts, (2) further develop agricultural processing industries, (3) increase flow of capital from urban to rural areas, (4) utilize full lending capability of rural banks, and (5) develop strategy for rural business development.

In October, 1973, by Executive Order, Governor Briscoe established a new County and Rural Services Division of the Texas Department of Community Affairs (TDCA-C/RSD) with Mr. Raymond Prewett, formerly the executive director of the Texas Rural Commission, as division director, to implement the commission's recommendations.

During the year following the division's eatablishment, several programs were initiated and a few rural development activities in other state agencies were brought in, but there still was a need for a direct service to assist the loan process.

Then, by chance, Mr. Prewett became acquainted with Dr. G.K. Wagner, President of Execucom Systems Corporation, a firm which had developed the Interactive Financial Planning System (IFPS). The IFPS modeling program was seen by both men to have promise for evaluating the economic potential of rural business and industrial loan applications, a service that could greatly facilitate the loan process.

The Texas Rural Commission listed several unmet needs that hinder rural economic development. Briefly stated, they are: the need for more available capital in rural areas; the need to keep more rural money in the rural areas; the need to increase rural banks' use of money in loans; the need to work around a rural bank's lending limit (which may be low), and the need to satisfy the risk aversion of rural bankers to an unfamiliar industry desiring financial assistance.

The basic objective of the Loan Evaluation Program was to answer these needs and to create jobs in rural areas.

The Loan Evaluation Program was designed to produce a financial feasibility package for rural businesses interested in expansion and for businesses interested in relocating to present to private and public lending agencies. The financial feasibility package contained computer-generated calculations for expected return on investment based on market share analysis, material and labor costs, product selling prices, interest rates, inflation rates and so on. The results of the loan evaluation were presented in detail to the business and corrected as necessary.

Because the funding source for part of the Loan Evaluation Program was CETA Section 106 funds, the program found it necessary to document services to CETA participants who may have benefited from a TDCA-C/RSD-assisted, successful loan application. A secondary objective was to place as many CETA participants as possible in the newly created jobs. Thus, specific goals for CETA placements were not required by the Manpower Services Division of TDCA.

The total number of jobs created or saved reported by LEP was based on the employer's initial estimate of the employment effect of the loan. The number of CETA-eligible referrals reported were estimates made by a community liaison placed in a county by another C/RS program, the Concerted Services for Training and Education. For 1976 and 1977, for example, 402 jobs were created through 17 loans, and 97 CETA-eligible referrals were reported by C/RS.

VI. IMPLEMENTATION PHASE

The actual working of the Loan Evaluation Program can be described by following the course of two businesses in Schulenburg, Fayette County, Texas. John Houchins, Inc., a manufacturer of light metal tools and the Double B Foods Co., a processor of smoked and pickled pig products, were chosen because they were reported to have had the highest number of CETA referrals of all participating businesses. The two business were in one town, which highlighted the impact of expanding rural businesses on the community.

Double B Foods. Double B Foods was started in 1973 by Mr. Bill Bucek as a small pig pickling company. In 1977, Double B Foods sought a loan of $250,000 to $330,000 to expand the pickling plant and to build a sausage smoking and packaging division. When discussing the loan with the Small Business Administration, the SBA suggested having the Loan Evaluation Program do a financial feasibility study for presentation to potential lenders. Double B Foods secured a $330,000 loan from Farmer's State bank in Schulenburg without the assistance of the evaluation, citing the over-complexity of the document as diminishing its usefulness. However, Double B Foods found participation in the evaluation process valuable as a management review of operations and as a benchmark by which to measure progress.

The loan was to be used for expanding the existing pickling facilities and to purchase an existing building for conversion to a sausage kitchen and packing plant. The implementation schedule of the expansion was eight months, beginning in mid-1977.

Approximately 50 jobs were created, mostly low skill production or packing work. Five to ten of the jobs required higher skill levels: these included sausage kitchen workers and maintenance mechanics. Forty of the 50 new hires were women, mostly secondary wage earners, not previously in the labor force; a few were trained for more skilled kitchen work, and 3 or 4 high-skilled workers were recruited out of Houston. Wage rates varied from almost minimum wage (the majority) to $6 per hour for skilled maintenance mechanics.

The Loan Evaluation Program staff kept contact with Double B Foods and, upon learning that the loan had been secured, with Double B's consent, notified the area Concerted Services for Training and Education (CSTE) liaison to work with the local prime sponsor contractor, the Bastrop-Lee-Fayette Combined Community Action Agency and Double B Foods to place CETA eligible workers. Fifteen referrals made by the CSTE liaison were considered to be CETA eligible by the liaison, and the 15 were reported as CETA activity created by the loan evaluation. Double B Foods interviewed all applicants and was unaware of the source of referral.

John Houchins and Sons, Inc. John Houchins and Sons is a hand tool and wheelbarrow manufacturing firm located in Schulenburg, Fayette County, Texas. In 1970, John Houchins purchased the wheelbarrow business from Ruhman Manufacturing and in 1971 purchased Ingersoll Shovel, moving it to Schulenburg. The firm was growing but faced two severe problems: outdated and worn production machinery and poor cash flow. The firm began to seek a $1.5 million loan for new equipment and to arrange new working capital agreements but was having difficulty.

The Loan Evaluation Program learned of John Houchins' situation through Farmer's State Bank in Schulenburg and prepared a loan feasibility study to aid an application for a Farmers Home Administration (FmHA) guaranteed loan. Early in 1977, a loan of $1.5 million was secured, with a 70 per cent FmHA guarantee, from First International Bank of Houston. Because the Houston bank was the original lender, John Houchins did not feel the feasibility study was a contributor to the securing of the new loan. However, he felt it would have been of assistance if Schulenburg area banks had participated. It was noted that the evaluation pointed out a way to increase cash flow by making suggestions for a better way to handle receivables.

During 1977, many pieces of equipment were replaced and the working capital was applied to large orders Houchins was not able to handle before.

The Houchins Company estimated that between 45 and 50 jobs were saved because of the loan, and that 25 or 30 more jobs were created. Most of the new jobs were semi-skilled production jobs with a few tool and die machinists being added. Recruitment in the Schulenburg area brought in farmers who needed outside means to make a go of their farms. Several young men were hired as machinist apprentices under a registered apprentice program. A few journeymen machinists were hired out of Houston. The majority of the semi-skilled workers are paid the minimum wage. The machinists were paid at higher rates; up to $5.50 per hour. CEA involvement in the hiring process was the same for John Houchins and Sons as for Double B Foods.

VII. PROGRAM OUTCOMES

Typical program outcomes for the 29 successful loan applications assisted by the Loan Evaluation Program can be generalized from the two successes in the Schulenburg area. Spot follow-up of several businesses conducted after the program area site visit revealed other outcomes: two businesses have since gone out of business, while at least three (Jack Brown Cleaners, Tramco, Berry Barnett, Inc.) have done well beyond expectations.

In the program area, the hires made by the expanding employers tended to be people who were not unemployed by reason of being either a secondary wage earner and not in the labor force at time of hire or farmers who took other jobs to support their farms. It can be estimated that family incomes were augmented by approximately $6,000 to $8,000 a year. Other workers recruited to Schulenburg probably took pay cuts to be able to live in the area.

Residents of the area questioned about the effects of the recent business increases could not cite any new stores and only a few new homes. But they knew that their community was vital again, that the outmigration had ceased and that sons and daughters were able to return with their families and make a living. It was noted that many of the marginal farms were going again;

remodeling could be seen at those newer homes and trailers next to the old farm houses. An estimate based on one firm's annual activity projected a $1.3 million direct annual output level. This same firm reported revenues of $565,000 in 1973 and $1,305,000 in 1975. A mid-1977 loan of $330,000 was followed by revenue totaling $4,000,000 for 1978 and $4,600,000 through three quarters of 1979.

While the Schulenburg community was not aware of the Loan Evaluation Program, it was certainly aware of the recent increase in new jobs. Residents seemed to view the area's improved economy with two minds: on the one hand, it was good that jobs were available, people could come back to Schulenburg now that there were jobs, the churches could thrive again and the newspaper and a few other small businesses would survive. On the other hand, they seemed concerned about outsiders and about the community getting too large. They were concerned that they were being exploited. Feelings were expressed during interviews that employers were moving in to take advantage of the low wages paid there, to take advantage of women who wanted to work and of farmers who had to have a second job. The community hoped that in the future, more white collar jobs would be created for young women and that wages would go up. There seemed to be a tacit fear that family life as they knew it was threatened by married women -- especially those with children -- who needed to work because the husband could not make a living wage. B[illegible]ey also knew the family was threatened by a lack of jobs that forced young people to move to the large labor markets. Overall, though, a basic optimism was found toward economic development in the area.

Below are the reported estimates of new jobs and amounts of financing secured by the year of evaluation completion. There was no information compiled on kinds of jobs or salaries. Information at sites visited indicated that the majority were close to minimum wage; all jobs at the sites were full-time.

Fiscal Year	Number of Loans	Employment Increases	Jobs Per Loan	Financing Secured
1976	11	266	24	$5,173,400
1977	6	115	19	$1,737,500
1978	12	321	27	$4,650,000
TOTALS	29	702	70	$11,560,900

VIII. SUMMARY

The Loan Evaluation Program is not a feasible program for a CETA prime sponsor to undertake alone. The program concept is not entirely compatible with CETA objectives in that businesses requesting a loan evaluation could not be asked to hire CETA clients. CETA cannot afford to fund a program that does not promise placements or training.

If a CETA prime sponsor were to involve itself in a loan evaluation program, the following recommendations, if implemented, could have positive bearing on the success of the program:

- program agreement with evaluated businesses to give the prime sponsor initial referral and training rights;
- training of prime sponsor staff by qualified consultants;
- implementation of program by balance of state prime sponsor or through the State Employment and Training Services Council to enlarge service area and demand.

Farmers Home Administration has elected to adopt the Texas loan evaluation model. Prime sponsors throughout the country should be made aware of FmHA's activity in rural economic development because of the assistance CETA may be able to provide to the rural businesses and the rural disadvantaged.

Case Study:
GRATIOT OVERALL ECONOMIC DEVELOPMENT PLAN AND ECONOMIC ADJUSTMENT STRATEGY
MICHIGAN COMPREHENSIVE EMPLOYMENT PROGRAM
MICHIGAN GOVERNOR'S SPECIAL CETA GRANT
Gratiot County, Michigan

GOING WELL BEYOND TRADITIONAL CETA ACTIVITIES, MICHIGAN'S COMPREHENSIVE EMPLOYMENT PROGRAM -- FUNDED FROM THE GOVERNOR'S SPECIAL GRANT -- DIRECTED THE PREPARATION OF AN OVERALL ECONOMIC DEVELOPMENT PLAN.

IN RURAL GRATIOT COUNTY, THE PLAN IS BEING CLOSELY FOLLOWED AND IS ALREADY PRODUCING NEW JOBS, MANY OF THEM FOR CETA TRAINEES

I. PROJECT OVERVIEW

A. The Project in Historical Perspective

Michigan's Comprehensive Employment Program (CEP) had a well established track record for successful pre-employment training and linkages with the private sector (as discussed in the Charlevoix Manufacturing Company study) dating back to 1971. At that time a small staff using OEO Comprehensive Employment Program funds, focused its training efforts to promote new business in Michigan. CEP's funding base switched to CETA in 1974. By then CEP was closely affiliated with the State Department of Commerce, Office of Economic Development.

During the public service emloyment (PSE) build up, CEP's assistance was requested to oversee a public service employment project. This project used unemployed engineers from the automobile industry to assist a Chippawa Indian tribe to develop the necessary planning documents essential for the Chippawas to be eligible for funds from the U.S. Department of Commerce, Economic Development Administration (EDA) and to train Native Americans in community planning. This is how CEP backed into economic development planning, which may well prove to be its most important function.

B. Relevance to Other Area Economic Development

The particular project cited in this case study, the Gratiot County Overall Economic Development Plan (OEDP), provided Gratiot County with its first comprehensive assessment of its economy which was then coupled with a plan of action for developing its economy and generating new jobs. As an economic adjustment plan, the OEDP became a reference document for the City of Alma's planning office, the Alma Chamber of Commerce, the community action agency, and the CETA prime sponsor. For instance, the City of Alma used the data contained in this plan to document the need for approving a bond issue for a proposed shopping mall. The Chamber of Commerce refers to it in its discussions with firms exploring industrial sites in Gratiot County. "Eight CAP," the community action agency serving Gratiot County, it has found the OEDP useful in determining needs for employment and social services in the county. CETA programs have benefited from data in the report. Naturally, CEP uses the report to identify possible training activities needed for industrial expansion.

C. The Project and the Five M's

Of the five M's -- market, material, money, manpower and management -- CEP provided the management and the manpower for the planning of this project. Although numerous task forces and citizen committees participated in this effort, integration of their input and, in fact, the management of their participation was CEP's responsibility. CEP personnel provided the technical expertise required to produce the OEDP and were instrumental in introducing it to potential users. CEP staff also served as facilitators and coordinators of the various principal actors involved in the implementation of many of the economic development activities. Later, CEP used CETA funds to train employees for the new businesses that evolved from the plan.

Money played a major role in the development of Gratiot County's economy. The U.S. Department of Commerce's Economic

Development Administration, local banks, businesses, and bond issues were sources of development capital.

D. Preliminary Assessment of Success

The Gratiot OEDP was submitted in April, 1979, to the U.S. Department of Commerce, Economic Development Administration where it was well received. Subsequently, EDA has provided Title IX funds to support the development of industrial sites in Gratiot County. Without the OEDP, Gratiot County would not have been eligible for the funds. Subsequently, 200 new jobs have been created by new business growth.

E. Difficulties and Advantages in Project Development

Working with so many diverse groups of private citizens as well as local public agencies was both an advantage and disadvantage to this project. As an advantage, it provided heterogenous data input that assured a comprehensive, unbiased plan. Every conceivable special interest group was represented on one or more of the committees and task forces that participated in this endeavor.

As a disadvantage, managing the participation of the citizenry, special interest groups and the elected officials required considerable tact and finesse. Frequently, there were conflicting agendas that could have caused disruption of the work.

Another disadvantage in this project is that it does require staff with highly specialized skills to research and manipulate the data that were basic elements of the plan. Generally these skills are not found in agencies other than those whose function is solely economic development planning.

F. Overview of Case Study to Follow

The OEDP for Gratiot County is the product of considerable research that provides a guide for economic development ventures in a rural county. As such, it is meant to serve as a basic planning aid that will permit comprehensive development of a rural community. It sets out options for elected officials to consider, integrates the planning activities of organizations within the county and sets out a clear statement of the problems that must be addressed if the county is to determine its economic destiny.

II. GENERAL BACKGROUND

CEP had established an enviable track record for training for new business by the time CETA came along. Its focus on economic development's relationship to training was key to that success. CEP operated on a premise that successful training outcomes depended upon providing fully for the employer's needs. The program's close coordination with the State Department of Commerce encouraged an even greater orientation toward economic development. Therefore, it was a natural transition for CEP to become more involved in community economic development as its knowledge base and related skills grew in that area.

In 1975, CEP had its first opportunity to become involved in economic development planning. At that time, a recession was forcing professionals into the unemployment lines. Many of those unemployed had held jobs related to the suffering automobile industry. Under Title VI, CETA made available large amounts of public funds to support public service employment of these and other unemployed people as an anti-recessionary strategy. Concurrently, a Chippawa Indian tribe located near Sault St. Marie on the Canadian border was requesting public service employment positions to staff a planning office.

CEP was asked to assist in the location of appropriate unemployed professionals who could relocate to Sault St. Marie and fill public service employment positions to assist the Chippawa Indian tribe in community development planning activity. Having accomplished that task, CEP then was asked to assist in overseeing the planning effort. Consequently, CEP staff members and PSE participants began the task of gathering data and forming an economic development plan that, in turn, made the Chippawa Indian tribe eligible to apply for and receive Federal funds. This planning effort resulted in the eventual construction of recreational and other public facilities, valued at more than $2 million. At the same time, it set a new precedent for CEP.

To accomodate CEP's concern with community development, staff were reorganized and expanded to form a unit within CEP called the Community Development Section.

Later, CEP participated in another economic adjustment plan in the small town of Ontonagon and Ontonagon County. Ontonagon's economy depended upon a copper mining. The mine reduced its operations in 1975 by 1,500 jobs, thereby eliminating job opportunities for a significant number of the area residents. The State of Michigan responded by developing an economic adjustment plan for Ontonagon. CEP provided input into that plan and worked with the State's Department of Commerce to provide the necessary training to permit a reopening of the ship building facilities.

Although CEP was a key factor in a number of economic development programs, Gratiot County was the first full-scale economic development plan undertaken by CEP. The primary goal remained the generation of new employment opportunities, but the approach in Gratiot County was more comprehensive and innovative.

III. SOCIAL/CULTURAL ENVIRONMENT OF THE PROGRAM AREA

Gratiot County has 566 square miles of land area and approximately 40,000 people. Its centers of population are Alma with an approximate population of 10,000, St. Louis with

5,000, and Ithaca with 3,000. Gratiot County is in the center of Michigan's Lower Peninsula, approximately 50 miles north of Lansing. Thus, it is north of the state's southern industrial centers and south of its major recreational areas.

The economic base of Gratiot County is light manufacturing, agriculture and government services. Agriculture is the dominant use of land, there being 1,200 farms in Gratiot County. The leading employers are manufacturers. These include Lobdell-Emory, an auto parts manufacturer which employs approximately 1,000 people, and Total Refinery, an oil refinery employing 350 people. The second largest employer is the local school system and Alma College. Labor unions are active in this area with approximately 80 per cent of the labor force belonging to a union. Employment growth has been primarily in white collar and service jobs. Construction and craft trades have diminished, partially due to the economic downturn between 1973-1976 that resulted in the loss of major employers in the mobile home construction industry.

The people of Gratiot County have a per capita income of $3,881 and median family income of $8,891. Between 10 and 14 per cent of the population has incomes below the poverty level. Gratiot County suffers an unusually high employment rate--12 per cent.

Aside from a small number of Hispanics, Gratiot County's population is white. The median years of education is 12.1. There is an unusually high proportion of youth between 15 and 24 years of age; however, there has been a sharp drop in the number of persons between the ages of 23 and 35. This seems to reflect an outmigration. This theory is borne out by the 3 per cent growth rate in the population of the area. A study of Gratiot residents' commuting patterns shows that there is a net outflow of approximately 1,500 people who daily leave Gratiot County to work at jobs in Lansing and other nearby cities. The outmigration and commuting patterns result in an available area labor supply that includes increasing labor force participation of females and young workers with little job experience. The OEDP describes the situation this way:

> "The absence of a broad economic base locally and few new jobs of high wages which would not require prior job experience or retraining among the available labor pool is an area characteristic that is expected to keep the local jobless rate at high levels in 1979."

IV. PLANNING PHASE

The decline of the mobile home industry, one of Gratiot County's principal manufacturing activities, produced an economic downturn that was later intensified when the Velsicol Company, a chemical manufacturer, closed. Between 1973 and 1976, approximately 600 jobs were lost in Gratiot County due to plant closings and cut backs. This loss of jobs and the soaring unemployment rate prompted the greater Gratiot Development Corporation, the County's one-man economic development planning unit, to appeal to the Governor's office for assistance. In turn, the Governor's staff conferred with the state's Department of Commerce and the Department of Labor, soliciting their assistance for Gratiot County.

CEP's response to the Governor was to offer the staff to develop an economic adjustment plan, and, if needed, manpower training for Gratiot County. The offer was accepted, and thus, CEP began its first fully integrated economic development and training program.

Mr. Robert Fraser, director of CEP, assigned his three-man Community Development Section to the task of developing the economic adjustment plan. Later, in the course of the plan implementation, the field representative of the training, unit, Mr. Jim Remensnyder would design and supervise the manpower training activity.

The Community Development Section divided the task into three phases:

Phase I was a survey of the 340 employees who were to lose their jobs when the Velsicol Company closed. This took the form of a needs assessment in which it was determined what services and support from the community these unemployed persons would require. This survey culminated in a number of recommendations to the elected officials of Gratiot County. Such things as seminars on job-search methods, developing resumes and accessing available community resources were the results. These activities were implemented by the appropriate organizations or agencies.

Phase II of the work involved an impact study of the town of St. Louis, site of the Velsicol Company. This study evaluated the impact of the closing of the plant on the town in terms of effect on the town's tax base, cash flow and impact on retail trade. This provided the town of St. Louis with some forewarning of the problems associated with the plant closing and gave valuable information needed to secure special federal relief.

Phase III was the Overall Economic Development Plan (OEDP). An important element of this plan was the careful integration of many diverse community entities. This involved not only their inputs as important sources of data to the plan but also their early participation in the planning process which assured that the plan would receive community support. The initial task force consisted of three of the CEP staff working with the members of the Greater Gratiot Development, Inc. But this proved to be too large a group to be an effective working body. Therefore, a subcommittee known as the Overall Economic Development Planning Committee was formed. It was this committee that worked closely with the CEP staff to produce the OEDP. This committee included the Gratiot County Board of Commissioners, the Alma Chamber of Commerce, the St. Louis Chamber of Commerce, SLEDCO, and the Alma Area Vocational Skill Center, the Mid-

Michigan Community Action Council, Ithaca Chamber of Commerce, the Central National Bank, Century 21 Real Estate, organized labor representatives, an attorney and managers of several local plants.

The staff to this Advisory Committee, the CEP Community Development Section, obtained the standard format for an OEDP from the EDA regional office. The next step was data collection. Three categories of information were collected:

- Assessment of employer needs relevant to expansion;
- Review of the past history of the economy in the area;
- Descriptive survey of the present environment.

Collecting this information required construction of survey instruments, interview guides and identification of persons collecting the data. In addition, other data sources were the Michigan Employment Service Commission (MESC), State Office of Management and Budget, the local regional planning commission, and various publications.

The assessment of employers' needs was handled as a confidential survey in which employers were asked to reveal their plans for future expansion and identify those resources needed for expansion. It was important that this information be kept confidential. In private enterprise, such information, if public, can work to the disadvantage of the businessman.

In reviewing the past history of the area, important trends and developments were identified and put in focus. What had and had not worked in the past and possible reasons for success and failure were important data.

The study of the current environment required considerable help from MESC. It is difficult to obtain data that is relevant to one small rural county; therefore, it was necessary to call upon MESC to extrapolate data for Gratiot County from compilations of regional data.

With the exception of the employers' survey, data collected were subject to review by committee members. This allowed the staff to gage reactions to the data in terms of the data's credibility. It was important for them to be sensitive to possible distortions that might have been related to a factor in the data collection process or to some other extraneous variable.

Once data were collected, analyses were made by the staff, the committee, and in some instances, specialists serving as consultants. These analyses then became the bases for an evaluation of Gratiot County's economic potential and were categorized in terms of the county's resources, its liabilities, assets, and markets for goods and services.

It was determined that Gratiot County's potential economic development was associated with the following areas: industry, agriculture, retail trade, and recreation. Essential needs to facilitate the growth potential in these areas were determined to be: transportation and water and sewer systems. From this general determination evolves specific recommendations for projects that fit under one of these six headings.

A total of 18 projects for a short-term program were identified. Seven of these had been sufficiently researched to assure their feasibility. Briefly stated, these seven included an industrial park for the City of St. Louis; the conversion of a vacant mobile home manufacturing facility to an industrial site for a new company; the issuance of $2.2 million in low-interest tax-exempt bonds to help finance construction of an addition to the Alma Plastics Company; the expansion of a die-cast company aided through tax incentives; a gasohol production facility; a cattle feeder lot operation; a county-wide retail market study and a county-wide transportation study.

The long-term program included 13 projects that called for industrial site development, a water and storm sewer system and the construction of a traffic loop that would relieve traffic congestion in Alma.

This plan, written by CEP staff, was completed and presented to the Gratiot County OEDP Committee and Greater Gratiot Development, Inc. The plan was adopted as the official economic development plan for the County of Gratiot and was submitted to the U.S. Department of Commerce's Economic Development Administration to establish Gratiot County's eligibility for EDA funds. This was accomplished in April, 1979, after an investment of 12 person months of CETA staff and many hours contributed by community agencies and private citizens.

V. PROGRAM DESCRIPTION

The economic development of Gratiot County is a continuing process, one that involves a number of principal participants. For the purpose of this case study it may be necessary to restrict discussion to those elements of this overall plan that have been accomplished thus far, or are very near accomplishment.

These include: rehabilitation of a vacant mobile home manufacturing plant, a gasohol production facility, establishment of the St. Louis Industrial Park, the expansion of the Alma Plastics Company, and the expansion of the Consolidated Die-Cast Company.

A. The Mobile Home Plant Rehabilitation

The now vacant Detroit Mobile Home facility in St. Louis was purchased by Greater Gratiot Development, Inc., at a cost of $250,000. The facility consists of several vacant buildings on approximately 15 acres of land adjacent to another 38-acre parcel. One of these buildings was renovated with EDA funds at a cost of $160,600. The facility was then leased to American Fabricator Company, a producer of woodstoves, for a lease purchase price of $350,000 with an annual interest rate of 5 per cent. Repayments from the lease purchase agreement go into a revolving loan fund administered by Greater Gratiot Development, Inc.

It is planned that the revolving loan fund be available for income-generating projects that provide jobs and replenish the revolving loan fund.

B. Gasohol Production

The surplus corn produced in the area and the energy crisis suggested possible production of ethyl-alcohol to be mixed with gasoline to form gasohol. An abandoned sugar refinery provided an ideal site for a gasohol plant. The implementation of this project required the collaboration of experts on gasohol production, Michigan Agrifuel, Inc., the Energy Administration of the Michigan Department of Commerce and various sources of venture capital. An interdepartmental university research team conducted initial research that was a prelude to a gasohol production demonstration. The research team ensured objectivity and maximum technical imput.

A feasibility study was funded by the Energy Administration of the Michigan Department of Commerce. This study determined that the cost of the plant would be approximately $4 million for a 2 million gallon annual production capability. The feasibility study will continue during the course of the demonstration and examine such issues as the effect on local agriculture markets, consumer acceptance, application of closed system technologies, acquisition that would require capital investment, the shortterm and long-term economics of the operation, effective biomass depletion of the soil structure, and number of jobs generated (both direct and indirect).

It was further determined that it would be necessary to examine the potential for use of the production by-products. A bushel of corn produces 2.6 gallons of alcohol, 18 gallons of high protein mash and 16 pounds of carbon dioxide.

Local banks put up approximately $600,000 through federally guaranteed loans, and the U.S. Economic Development Administration authorized a grant of $7 million for the project. CEP facilitated the collaboration of the principal agencies for this project and provided the training for the initial 22 emloyees.

C. St. Louis Industrial Park

American Fabricator and the gasohol plant are in the St. Louis Industrial Park; thus the park is established. Plans called for the City of St. Louis to purchase 95 additional acres using the Greater Gratiot Development, Inc., revolving loan fund. This cost approximately $350,000, and has been accomplished. Site development involves the extension of water and sewer lines, streets and electricity and is estimated to cost $1.6 million. This will be a long-term project that officials hope to finance through an EDA Title I Grant or a HUD Urban Development Grant. This is expected to be completed within four years.

The sale of these sites should increase the tax base of St. Louis and employment to its level before 1973.

D. Expansion of Alma Plastics Company

With the assistance of the Economic Development Corporation of the County of Gratiot, Alma Plastics was able to take advantage of $2.2 million in low-interest tax-exempt bonds to finance construction of a new plant.

CEP provided the training for the 35 new employees. Using a classroom training model, these new employees were trained in the injection molding process required for machine operators. Training was two-weeks long. All participants were employed at that time. Cost of training was approximately $6,000. Participants did not receive allowances for their participation.

E. Consolidated Die-Cast Company Expansion

With the aid of the tax incentives available in Michigan, the Consolidated Die-Cast Company financed expansion of its plant in Gratiot County. The expansion cost was $1 million.

VI. IMPLEMENTATION PHASE

There were numerous stages of implementation that involved all of these various projects. Some of them began before the planning for the others had been completed. Roughly, the program as described was implemented over a period of 9 months. The training for Alma Plastics occurred in August, 1979. However, the training for the gasohol production plant is scheduled in early 1980. Throughout this period, continuous research, planning and coordination of resources have CEP playing a major role. It appears that an overall economic development plan is one that requires constant monitoring, adjustment and negotiation. It is not something that can be done by one or two people but can be accomplished only by a number of experts working in concert. Marshalling these forces, managing them and facilitating the process that results in bricks and mortar money and new jobs is CEP's contribution to the implementation of this economic development program.

Aside from their roles as planners, CEP staff provided the customized training for the new jobs at Alma Plastics. Utilizing MESC for recruitment and initial screening of possible applicants, CEP identified qualified instructors and organized a training curriculum.

CEP used Alma High School for most of the training. Included in the training were four hours of basic world-of-work orientation, plant safety, first aid, plastic technology and plant orientation which took place at the plant.

Alma Plastics' interest in locating in the area was heightened by the availability of a potential work force and training. The plant manager expressed a high regard for rural people's work ethic and seemed to recognize that people in an economically depressed area would be willing and reliable workers. The composition of the trainees was 75 per cent females and 20 per cent minority. They received no stipends for their two weeks in training, but this seemed to discourage neither interest in the program nor retention.

Alma Plastics' managers believe that the CEP training model prevented a lot of equipment damage. Inexperienced people can play hob with a highly mechanized plant. They definitely saw the CEP training as an important service to their company. As Alma Plastics expands its work force, it is interested in obtaining additional training from CEP for new employees.

VII. PROGRAM OUTCOMES

The economic adjustment plan and the resulting projects so far implemented have generated a total of 200 new jobs in Gratiot County, an influx of $3 million plus available for economic development, and has the potential for creating another 200 jobs.

In addition, this economic development will improve the quality of life for the community's people in other ways. Transportation systems, water and sewer systems and an expansion of retail activity provide the citizens of the county with many valuable services. Overall outmigration of Gratiot's young adults can be expected to lessen as more choices for earning a livelihood become available to them. The result is a greater variety of lifestyle possibilities to attract and retain the county's people.

VIII. SUMMARY

It is clear from this study that CETA through the CEP program was an essential link in the chain of events that led to a successful overall economic development effort that attracted several businesses. Cost to the CETA project was minimal, probably no more than $30,000 for planning and $20,000 in staff time and training costs. Thus far, 57 CETA participants are guaranteed employment, and many other unemployed people will benefit from the increase in job opportunities in Gratiot County.

In examining the success of this project, several factors stand out.

First, the skill and expertise of the CEP staff is impressive. The Community Development Section, under the supervision of Mr. Jim Houck, demonstrated ingenuity as facilitators, competent researchers, planners and authors. Their ability to relate equally well to various community factions further enhanced their value to this project. Their reputation for competence and their objectivity establised credibility in the Gratiot community.

Second, the orientation of the CEP project contributes to the achievement of economic development objectives. Unlike most CETA programs, CEP views its first responsibility to the overall economic development of an area. Even its training related activities are directed to this purpose. By thinking in terms of how to benefit the private sector, CEP has also been able to serve the interests of the CETA participants better than many other, more client-centered programs.

Third, CEP relies upon participants whose behavior and potential for learning is established by past work history or through other measures. In a community that enjoys a high educational level and suffers no disadvantages due to ethnic origin, urban crime or extreme poverty, this is a viable selection procedure. CEP, therefore, does not need to be concerned with supportive services or training related to behavior change and general education - two of the most frequent factors hampering successful training or employment for CETA participants.

Fourth, CEP enjoys the support of the Michigan Department of Commerce, an important resource for economic development. Because its funds are derived from the CETA Governor's Special Grant, CEP has the freedom to cross prime sponsor jurisdictions and select its projects anywhere in the State of Michigan. This mobility can also serve as a disadvantage in view of the size of the State of Michigan and the small staff employed by this project.

In summary, CEP has determined specific objectives, refined its approach to meet these objectives, and limited its activities by these elements. It has not tried to be all things to all people, but by concentrating on limited objectives has made a measurable contribution to increased employment opportunities throughout Michigan.

APPENDIX A

RURAL JOB CREATION -- A STUDY OF CETA LINKAGE WITH ECONOMIC DEVELOPMENT*

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*The monograph is published as a companion volume. The Table of Contents is repeated here for reference.

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GEOGRAPHIC LOCATION BY REGION, STATE AND PROJECT

REGION I:
- Massachusetts, Harvard Design, Inc., Cambrige page 287.
- Vermont, Kors, Inc., Rutland, page 259.

REGION III:
- Pennsylvania, Bleyer Industries, Mt. Union, page 275.
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REGION IV:
- Alabama, Craig Field Airport and Industrial Authority, Selma, page 201.
- Alabama, Farm Workers/Small Farmers Training Program, Epes, page 77.
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- Michigan, Comprehensive Employment Program, Charlevoix, page 241.
- Michigan, Gratiot Overall Economic Development Plan and Economic Adjustment Strategy, Gratiot County, page 331.
- Wisconsin, Rusk County Multiple Products, Inc., Ladysmith, page 61.

REGION VI:
- Texas, Texas Loan Evaluation Program, Schulenberg, Fayette County, page 309.

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    Utah, Spring Lake Farmworkers Housing and Development Program, Spring Lake, Utah County, page 167.

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    California, Cooperativa Campesina, Salinas, page 39.
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    Oregon, Molalla Mountain Community Project, Molalla, Clackamas County, page 121.

TYPE OF CETA PRIME SPONSOR OR PROGRAM OPERATOR

Balance of State Prime Sponsor or Governor's Special Grant:
    Craig Field Airport and Industrial Authority, Selma, Alabama, page 201.
    Gratiot Overall Economic Development Plan and Economic Adjustment Program, Gratiot County, Michigan, page 331.
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Concentrated Employment Program:
    Rusk County Multiple Products, Inc., Ladysmith, Wisconsin, page 61.

Consortium:
    Bleyer Industries, Mt. Union, Pennsylvania, page 275.
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Municipal:
Harvard Design, Inc., Cambridge, Massachusetts, page 287.

Native American:
Moapa Band of Paiute Indians, Moapa River Indian Reservation, Clark County, Nevada, page 215.

TARGET GROUPS SERVED

NOTE: Since all CETA programs serve those who are unemployed or economically disadvantaged, these groups are not listed separately. Several programs served more than one group. The listing is intended to highlight major groups. Some programs serve more than one group. Programs not listed served unemployed and economically disadvantaged without particular emphasis on any other special target groups.

FARM WORKERS:
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East Carolina Industries, page 1.
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